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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

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 001-39291

EOS ENERGY ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**84-4290188**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3920 Park Avenue	**Edison**	**NJ**	**08820**
(Address of Principal Executive Offices)			(Zip Code)

(732) 225-8400
Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001 per share	EOSE	The Nasdaq Stock Market LLC
Warrants, each exercisable for one share of common stock	EOSEW	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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 is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The registrant had outstanding 217,912,361 shares of common stock as of November 4, 2024.

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FORWARD-LOOKING INFORMATION

All statements included in this Quarterly Report on Form 10-Q ("Quarterly Report"), other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "would" and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements appear in a number of places in this Quarterly Report and include statements regarding the intent, belief or current expectations of Eos Energy Enterprises, Inc. Forward-looking statements are based on our management's beliefs, as well as assumptions made by and information currently available to, them. Because such statements are based on expectations as to future financial and operating results and are not statements of fact, actual results may differ materially from those projected. Factors which may cause actual results to differ materially from current expectations include, but are not limited to:

- *changes adversely affecting the business in which we are engaged;*
- *our ability to forecast trends accurately;*
- *our ability to generate cash, service indebtedness and incur additional indebtedness;*
- *our ability to raise financing in the future;*
- *our customer's ability to secure project financing;*
- *risks associated with the Credit Agreement (defined below), including risks of default, dilution of outstanding Common Stock, consequences for failure to meet milestones and contractual lockup of shares;*
- *the amount of final tax credits available to our customers or to Eos Energy Enterprises, Inc. pursuant to the Inflation Reduction Act;*
- *uncertainties around our ability to meet the applicable conditions precedent and secure final approval of a loan in a timely manner or at all from the Department of Energy, Loan Programs Office, or the timing of funding and the final size of any loan that is approved;*
- *the possibility of a government shutdown while we work to meet the applicable conditions precedent and finalize loan documents with the U.S. Department of Energy Loan Programs Office or while we await notice of a decision regarding the issuance of a loan from the Department of Energy Loan Programs Office;*
- *our ability to continue to develop efficient manufacturing processes to scale and to forecast related costs and efficiencies accurately;*
- *fluctuations in our revenue and operating results;*
- *competition from existing or new competitors;*
- *our ability to convert firm order backlog and pipeline to revenue;*
- *risks associated with security breaches in our information technology systems;*
- *risks related to legal proceedings or claims;*
- *risks associated with evolving energy policies in the United States and other countries and the potential costs of regulatory compliance;*
- *risks associated with changes to the U.S. trade environment;*
- *our ability to maintain the listing of our shares of common stock on NASDAQ;*
- *our ability to grow our business and manage growth profitably, maintain relationships with customers and suppliers and retain our management and key employees;*
- *risks related to adverse changes in general economic conditions, including inflationary pressures and increased interest rates;*
- *risk from supply chain disruptions and other impacts of geopolitical conflict;*

- *changes in applicable laws or regulations; and*
- *other factors detailed under the section entitled "Risk Factors" herein.*

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements and, except as required by law, the Company assumes no obligation and does not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise. See also Part I, Item 1A, *"Risk Factors"* disclosures contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for additional discussion of the risks and uncertainties that could cause the Company's actual results to differ materially from those expressed or implied in its forward-looking statements.

EOS ENERGY ENTERPRISES, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23,015	$ 69,473
Restricted cash	2,625	3,439
Loan commitment assets	58,525	—
Accounts receivable, net	3,197	3,387
Inventory, net	25,908	17,070
Vendor deposits	9,332	7,161
Contract assets, current	11,911	6,386
Prepaid expenses	1,074	1,082
Grant receivable	1,506	3,256
Other receivables	7,500	7,500
Other current assets	4,617	3,577
Total current assets	149,210	122,331
Property, plant and equipment, net	51,546	37,855
Intangible assets, net	237	295
Goodwill	4,331	4,331
Operating lease right-of-use asset, net	3,059	4,033
Long-term restricted cash	5,000	11,755
Other assets, net	3,458	5,892
Total assets	$ 216,841	$ 186,492
LIABILITIES		
Current liabilities:		
Accounts payable	$ 24,345	$ 20,540
Accrued expenses	37,765	32,332
Operating lease liability, current	1,719	1,496
Long-term debt, current	2,536	3,332
Contract liabilities, current	8,721	3,070
Other current liabilities	44	100
Total current liabilities	75,130	60,870
Long-term liabilities:		
Operating lease liability	2,010	3,350
Long-term debt	726	88,002
Notes payable - related party	184,167	112,525
Interest payable - related party	3,097	—
Contract liabilities, long-term	3,303	3,540
Warrants liability	98,970	27,461
Warrants liability - related party	267,049	—
Other liabilities	76	1,544
Total long-term liabilities	559,398	236,422

EOS ENERGY ENTERPRISES, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	September 30, 2024	December 31, 2023
Total liabilities	634,528	297,292
COMMITMENTS AND CONTINGENCIES (NOTE 16)		
SERIES B PREFERRED STOCK (NOTE 3)	156,069	—
SHAREHOLDERS' DEFICIT		
Common stock, $0.0001 par value, 600,000,000 shares authorized, 217,278,404 and 199,133,827 shares outstanding on September 30, 2024 and December 31, 2023, respectively	23	21
Additional paid in capital	724,449	765,018
Accumulated deficit	(1,293,592)	(875,846)
Accumulated other comprehensive (loss) income	(4,636)	7
Total shareholders' deficit	(573,756)	(110,800)
Total liabilities, preferred stock and shareholders' deficit	$ 216,841	$ 186,492

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

EOS ENERGY ENTERPRISES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(In thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue				
Total revenue	$ 854	$ 684	$ 8,353	$ 9,768
Costs and expenses				
Cost of goods sold	25,764	21,262	68,114	59,448
Research and development expenses	7,428	3,228	16,878	13,699
Selling, general and administrative expenses	17,796	13,076	43,331	40,169
Loss from write-down of property, plant and equipment	3,192	955	3,528	7,151
Total costs and expenses	54,180	38,521	131,851	120,467
Operating loss	(53,326)	(37,837)	(123,498)	(110,699)
Other (expense) income				
Interest expense, net	(133)	(4,994)	(7,915)	(14,709)
Interest expense - related party	(5,291)	(4,449)	(15,054)	(32,962)
Change in fair value of debt - related party	(3,036)	—	(3,276)	—
Change in fair value of warrants	(66,469)	34,406	(71,510)	(24,957)
Change in fair value of derivatives - related parties	(213,034)	27,398	(260,227)	(962)
Gain (loss) on debt extinguishment	—	—	68,478	(3,510)
Other (expense) income	(1,593)	421	(4,727)	(474)
(Loss) income before income taxes	$ (342,882)	$ 14,945	$ (417,729)	$ (188,273)
Income tax (benefit) expense	(16)	13	17	25
Net (loss) income attributable to shareholders	$ (342,866)	$ 14,932	$ (417,746)	$ (188,298)
Accretion of Preferred Stock	(41,267)	—	(64,938)	—
Net (loss) income attributable to common shareholders	$ (384,133)	$ 14,932	$ (482,684)	$ (188,298)
Other comprehensive (loss) income				
Change in fair value of debt - credit risk	$ (4,642)	$ —	$ (4,642)	$ —
Foreign currency translation adjustment, net of tax	3	(6)	(1)	(3)
Comprehensive (loss) income attributable to common shareholders	$ (388,772)	$ 14,926	$ (487,327)	$ (188,301)
Basic and diluted (loss) income per share attributable to common shareholders				
Basic	$ (1.77)	$ 0.11	$ (2.30)	$ (1.65)
Diluted	$ (1.77)	$ (0.05)	$ (2.30)	$ (1.65)
Weighted average shares of common stock				
Basic	216,898,374	138,005,222	209,820,480	114,209,090
Diluted	216,898,374	156,325,284	209,820,480	114,209,090

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

EOS ENERGY ENTERPRISES, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
(In thousands, except share and per share amounts)

	Common Stock		Additional	Accumulated Other	Accumulated	
	Shares	Amount	Paid in capital	Comprehensive Income (Loss)	Deficit	Total
Balances on June 30, 2023	127,309,960	$ 14	$ 620,006	$ 9	$ (849,570)	$ (229,541)
Stock-based compensation	—	—	4,456	—	—	4,456
Exercise of stock options	50,000		67			67
Release of restricted stock units	93,458	—	—	—	—	—
Cancellation of shares used to settle payroll tax withholding	(13,584)	—	(136)	—	—	(136)
Issuance of common stock	28,938,944	2	81,895	—	—	81,897
Foreign currency translation adjustment	—	—	—	(6)	—	(6)
Net income	—	—	—	—	14,932	14,932
Balances on September 30, 2023	156,378,778	$ 16	$ 706,288	$ 3	$ (834,638)	$ (128,331)
Balances on June 30, 2024	216,491,215	$ 23	$ 759,881	$ 3	$ (950,726)	$ (190,819)
Stock-based compensation	—	—	6,142	—	—	6,142
Release of restricted stock units	913,774	—	—	—	—	—
Exercise of warrants	289,654	—	463	—	—	463
Cancellation of shares used to settle payroll tax withholding	(416,239)	—	(771)	—	—	(771)
Accretion of Preferred Stock	—	—	(41,267)	—	—	(41,267)
Foreign currency translation adjustment	—	—	—	3	—	3
Change in fair value of debt - credit risk	—	—	—	(4,642)	—	(4,642)
Net loss	—	—	—	—	(342,866)	(342,866)
Balances on September 30, 2024	217,278,404	$ 23	$ 724,449	$ (4,636)	$ (1,293,592)	$ (573,756)

EOS ENERGY ENTERPRISES, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
(In thousands, except share and per share amounts)

	Common Stock		Additional Paid in capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balances on December 31, 2022	82,653,781	$ 9	$ 513,614	$ 6	$ (646,340)	$ (132,711)
Stock-based compensation	—	—	10,123	—	—	10,123
Exercise of stock options	250,000	—	335	—	—	335
Release of restricted stock units	1,606,791	—	—	—	—	—
Cancellation of shares used to settle payroll tax withholding	(303,655)	—	(587)	—	—	(587)
Issuance of common stock	72,171,861	7	182,803	—	—	182,810
Foreign currency translation adjustment	—	—	—	(3)	—	(3)
Net loss	—	—	—	—	(188,298)	(188,298)
Balances on September 30, 2023	156,378,778	$ 16	$ 706,288	$ 3	$ (834,638)	$ (128,331)
Balances on December 31, 2023	199,133,827	$ 21	$ 765,018	$ 7	$ (875,846)	$ (110,800)
Stock-based compensation	—	—	10,940	—	—	10,940
Release of restricted stock units	1,941,965	—	—	—	—	—
Exercise of warrants	289,654	—	463	—	—	463
Cancellation of shares used to settle payroll tax withholding	(714,565)	—	(1,122)	—	—	(1,122)
Issuance of common stock	16,627,523	2	14,087	—	—	14,089
Accretion of Preferred Stock	—	—	(64,938)	—	—	(64,938)
Foreign currency translation adjustment	—	—	—	(1)	—	(1)
Change in fair value of debt - credit risk	—	—		(4,642)	—	(4,642)
Net loss	—	—	—	—	(417,746)	(417,746)
Balances on September 30, 2024	217,278,404	$ 23	$ 724,449	$ (4,636)	$ (1,293,592)	$ (573,756)

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

EOS ENERGY ENTERPRISES, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except share and per share amounts)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities		
Net loss	$ (417,746)	$ (188,298)
Adjustment to reconcile net loss to net cash used in operating activities		
Stock-based compensation	10,940	10,123
Depreciation and amortization	5,259	7,316
(Gain) loss on debt extinguishment	(68,478)	3,510
Loss from write-down of property, plant and equipment	3,528	7,151
Amortization of right-of-use assets	974	737
Non-cash interest expense	5,117	3,820
Non-cash interest expense - related party	11,181	30,239
Change in fair value of debt - related party	3,276	—
Change in fair value of warrants	71,510	24,957
Change in fair value of derivatives - related parties	260,227	962
Other	4,858	639
Changes in operating assets and liabilities:		
Prepaid expenses	7	1,474
Inventory	(8,838)	2,692
Accounts receivable	189	96
Vendor deposits	(449)	(4,044)
Contract assets	(4,729)	(471)
Grant receivable	1,750	(934)
Accounts payable	1,136	(17,770)
Accrued expenses	1,038	12,258
Interest payable - related party	3,097	2,706
Operating lease liabilities	(1,117)	(830)
Contract liabilities	5,414	(565)
Other	604	(3,346)
Net cash used in operating activities	(111,252)	(107,578)
Cash flows from investing activities		
Purchases of intangible assets	(8)	—
Purchases of property, plant and equipment	(20,054)	(21,186)
Net cash used in investing activities	(20,062)	(21,186)
Cash flows from financing activities		
Principal payments on finance lease obligations	(89)	(93)
Proceeds from exercise of stock options and warrants	463	442
Proceeds from issuance of convertible notes - related party	—	48,050
Payment of debt issuance costs	—	(3,046)
Proceeds from Credit and Securities Purchase Transaction	98,575	—
Payment of debt issuance costs - related party	(12,238)	(1,116)
Payoff of Senior Secured Term Loan	(19,946)	—

EOS ENERGY ENTERPRISES, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except share and per share amounts)

	Nine Months Ended September 30,	
	2024	2023
Repayment of equipment financing facility	(2,447)	(2,110)
Proceeds from issuance of common stock	14,089	81,897
Proceeds from issuance of common stock and warrants	—	49,250
Payment of equity issuance costs	—	(2,080)
Repurchase of shares from employees for income tax withholding purposes	(1,122)	(587)
Net cash provided by financing activities	77,285	170,607
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2	(5)
Net (decrease) increase in cash, cash equivalents and restricted cash	(54,027)	41,838
Cash, cash equivalents and restricted cash, beginning of the period	84,667	31,223
Cash, cash equivalents and restricted cash, end of the period	$ 30,640	$ 73,061
Non-cash investing and financing activities		
Accrued and unpaid capital expenditures	$ 3,216	$ —
Issuance of convertible notes for interest paid in kind	5,783	4,915
Accretion of Preferred Stock	64,938	—
Fixed assets acquired with finance lease	—	125
Right-of-use operating lease assets in exchange for lease liabilities	—	363
Issuance of common stock upon settlement of Yorkville convertible notes	—	51,023
Accrued and unpaid capitalized internal-use software	—	130
Supplemental disclosures		
Cash paid for interest	$ 4,279	$ 11,269

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

1. Overview

Nature of Operations

Eos Energy Enterprises, Inc. (the “Company,” “we,” “us,” “our,” and “Eos”) designs, develops, manufactures and markets innovative energy storage solutions for utility-scale, microgrid and commercial & industrial (“C&I”) applications. Eos developed a broad range of intellectual property with multiple patents covering unique battery chemistry, mechanical product design, energy block configuration and a software operating system (Battery Management System). The Company has only one operating and reportable segment.

Liquidity and Going Concern

As a growth company in the early commercialization stage of its lifecycle, Eos is subject to inherent risks and uncertainties associated with the development of an enterprise. In this regard, substantially all of the Company’s efforts to date have been devoted to the development and manufacturing of battery energy storage systems and complementary products and services, recruitment of management and technical staff, deployment of capital to expand the Company’s operations to meet customer demand and raising capital to fund the Company’s development. However, as a result of these efforts, the Company has incurred significant losses and negative cash flows from operations since its inception and expects to continue to incur such losses and negative cash flows for the foreseeable future until such time that the Company can reach a scale of profitability to sustain its operations.

In order to execute its development strategy, the Company has historically relied on outside capital through the issuance of equity, debt and borrowings under financing arrangements (collectively “outside capital”) to fund its cost structure. While the Company believes its recent entry into new credit facilities as discussed below has significantly improved its capital position and provides a path to sustainable operations and profitability, there can be no assurance the Company will be able to achieve such profitability or do so in a manner that does not require additional outside capital. Moreover, while the Company has historically been successful in raising outside capital, there can be no assurance the Company will be able to continue to obtain outside capital in the future or do so on terms that are acceptable to the Company, should it be needed.

As disclosed in Note 3, *Credit and Securities Purchase Transaction,* on June 21, 2024, the Company entered into a financing transaction with CCM Denali Debt Holdings, LP, an affiliate of Cerberus Capital Management LP (herein after referred to as “Cerberus”, “Denali”, “Lender”, “Holder”). As a result of this transaction, Cerberus agreed to provide a $210,500 secured multi-draw facility to be made in four installments (the “Delayed Draw Term Loan”) as well as a $105,000 revolving credit facility (“Revolving Facility”), to be made available beginning June 21, 2026, at Cerberus’ sole discretion and only if the Delayed Draw Term Loan is fully funded.

As of the date the accompanying Unaudited Condensed Consolidated Financial Statements were issued (the “issuance date”), management evaluated the significance of the following negative financial conditions in accordance with Accounting Standard Codification 205-40, Going Concern:

- Since its inception, the Company has incurred significant losses and negative cash from operations in order to fund its development. During the nine months ended September 30, 2024, the Company incurred a net loss of $417,746, incurred negative cash flows from operations of $111,252 and had an accumulated deficit of $1,293,592 as of September 30, 2024.
- As of September 30, 2024, the Company had $23,015 of unrestricted cash and cash equivalents available to fund the Company’s operations and working capital of $74,080, which includes loan commitment assets of $58,525 classified as current assets on the Unaudited Condensed Consolidated Balance Sheets.

1. Overview (cont.)

- Additionally, the Company continues to progress through the Department of Energy (DOE) Loan Programs Office's (LPO) process for its Title XVII loan. In August 2023, the DOE issued a conditional commitment letter to the Company for a loan of an aggregate principal amount of up to $398,600 through the DOE's Clean Energy Financing Program. Certain technical, legal and financial conditions must be met and due diligence to the satisfaction of the DOE must be completed before the DOE enters into definitive financing documents with the Company and funds the loan. The Company continues to work with the DOE to meet these conditions and close the loan, however, there can be no assurance that the Company will be able to secure such a loan or on terms that are acceptable to the Company.
- The Company is required to remain in compliance with certain quarterly financial covenants under its Credit Agreement. These financial covenants include, as defined in the Credit Agreement, (a) Minimum Consolidated EBITDA, (b) Minimum Consolidated Revenue, and (c) Minimum Liquidity (collectively, the "financial covenants"). As of September 30, 2024, the Company was in compliance with all financial covenants and non-financial covenants, except for the September 30, 2024 Minimum Consolidated Revenue financial covenant. The Company secured a waiver of non-compliance from Cerberus for the quarter ended September 30, 2024. The Company expects it may be unable to remain in compliance with the Minimum Consolidated Revenue financial covenant beginning December 31, 2024, absent the Company's ability to secure a waiver or amend the Credit Agreement. In the event the Company is unable to comply with the financial and the non-financial covenants as of December 31, 2024, and the Company is unable to secure another waiver, Cerberus may, at its discretion, enter into a forbearance agreement with the Company and/or exercise any and all of its existing rights and remedies, which may include, among other things, asserting its rights in the Company's assets securing the loan. Moreover, the Company's other lenders may exercise similar rights and remedies under the cross-default provisions of their respective borrowing arrangements with the Company.
- Cerberus funded the Company $30,000 ("August Draw"), and the Company received $28,500, net of the 5.0% original issue discount, since the Company met the milestones for the August Draw as disclosed in Note 3, *Credit and Securities Purchase Transaction.* Subsequently, on November 1, 2024, Cerberus funded the Company $65,000 related to the October 31, 2024 tranche ("October Draw" or "October Tranche"), and the Company received $61,750, which is net of the 5.0% original issue discount from the Delayed Draw Term Loan as disclosed in Note 21, *Subsequent Events*. In the event the Company does not achieve the remaining funding milestone, and Cerberus chooses not to continue funding, and the Company's ongoing efforts to raise additional outside capital prove unsuccessful, the Company will be unable to meet its obligations as they become due over the next twelve months beyond the issuance date. In such an event, management will be required to seek other strategic alternatives, which may include, among others, a significant curtailment in the Company's operations, a sale of certain of the Company's assets, a sale of the entire Company to strategic or financial investors and/or allowing the Company to become insolvent.

These uncertainties raise substantial doubt about the Company's ability to continue as a going concern. The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared on the basis that the Company will continue to operate as a going concern, which contemplates that the Company will be able to realize assets and settle liabilities and commitments in the normal course of business for the foreseeable future. Accordingly, the accompanying Unaudited Condensed Consolidated Financial Statements do not include any adjustments that may result from the outcome of these uncertainties.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of the Company and its 100% owned, direct and indirect subsidiaries and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). All intercompany transactions and balances have been eliminated in the preparation of the Unaudited Condensed Consolidated Financial Statements. These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The interim financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto, included in our 2023 Annual Report on Form 10-K. These interim results are not necessarily indicative of results for the full year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Series A-1, A-2, B-1, and B-2 Preferred Stock

As discussed in Note 3, *Credit and Securities Purchase Transaction,* the shares of Series A-1 and A-2 Preferred Stock that were issued in June and August 2024, respectively, and subsequently converted into shares of Series B-1 and B-2 Preferred Stock, respectively, in September 2024 (collectively "Series B Preferred Stock" and together with Series A-1 Preferred Stock and Series A-2 Preferred Stock, "the Preferred Stock"), become redeemable based upon the passage of time and therefore meet the criteria to be classified within temporary equity. Management has elected to recognize changes in the redemption value pursuant to ASC 480-10-S99-3A-15(b). As a result, the Company will remeasure the Preferred Stock to the maximum redemption value at each reporting date but will never be adjusted below its initial carrying value. Adjustments are reflected in Additional paid in capital on the Company's Unaudited Condensed Consolidated Balance Sheets.

Production Tax Credits under Internal Revenue Code 45X ("PTC")

2. Summary of Significant Accounting Policies (cont.)

Since the PTC is a refundable credit (i.e., a credit with a direct-pay option available), the PTC is outside the scope of ASC 740. Therefore, the Company accounts for the PTC under a government grant model. GAAP does not address the accounting for government grants received by a business entity that are outside the scope of ASC 740. The Company's accounting policy is to analogize to IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance,* under IFRS Accounting Standards. Under IAS 20, once it is reasonably assured that the entity will comply with the conditions of the grant, the grant money is recognized on a systematic basis over the periods in which the entity recognizes the related expenses or losses for which the grant money is intended to compensate. The Company recognizes grants once it is probable that both of the following conditions will be met: (1) the Company is eligible to receive the grant and (2) the Company is able to comply with the relevant conditions of the grant. The PTC is a non-monetary asset since the Company's intention is to sell the tax credit to a third-party and is recorded at the value that is expected to be received from the sale in Grant Receivable, net on the Company's Unaudited Condensed Consolidated Balance Sheets and is subsequently recognized in Cost of goods sold in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income when the inventory is sold. In the event the PTC is sold, upon the receipt of the cash payments, the Company will record offsets to Grant Receivable, net. Differences in the recorded value of the PTC and the sale price will be recognized as an adjustment to Cost of goods sold in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

Fair Value Option

The Company has elected the option under ASC 825-10, *Financial Instruments* ("ASC 825"), to measure the Delayed Draw Term Loan, including the draw on August 29, 2024 (see Note 3, C*redit and Securities Purchase Transaction*) at fair value. The fair value option may be elected on an instrument-by-instrument basis and is irrevocable unless a new election date occurs. When the fair value option is elected for an instrument, unrealized gains and losses for such instrument is reported in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. These amounts are included in Other expense in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. The gains or losses attributable to changes in instrument-specific risk are included in Change in fair value of debt – credit risk in Accumulated other comprehensive income.

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which requires an entity, even one with only one reportable segment, to disclose significant segment expenses and other segment items on an annual and interim basis, and provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. Additionally, it requires an entity to disclose the title and position of the chief operating decision maker. ASU 2023-07 does not change how an entity identifies its operating segments, aggregates them or applies the quantitative thresholds to determine its reportable segments. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. Entities should apply the amendments in ASU 2023-07 retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of adopting ASU 2023-07 and does not expect it to have a material impact on the Company's financial position, results of operations and cash flows.

3. Credit and Securities Purchase Transaction

Credit and Guaranty Agreement ("Credit Agreement")

Delayed Draw Term Loan

As previously disclosed in the June 30, 2024 Form 10-Q filed with the SEC, on June 21, 2024, the Company entered into a credit and guaranty agreement (the "Credit Agreement") with CCM Denali Debt Holdings, LP, an affiliate of Cerberus Capital Management LP (herein after referred to as "Cerberus", "Denali", "Lender", "Holder"). As a result of this transaction, Cerberus agreed to provide a $210,500 secured multi-draw facility to be made in four installments ("tranches", and collectively, the ("Delayed Draw Term Loan" or "DDTL") as well as a $105,000 revolving credit facility ("Revolving Facility"), to be made available at the Lenders' sole discretion and only if the Delayed Draw Term Loan is fully funded. On June 21, 2024 the initial $75,000 installment was funded (the "Initial Draw"). On August 29, 2024, the full amount of the August tranche of $30,000 was funded. Subsequently the October 31, 2024 tranche for the full $65,000 was funded (see FN 21 - *Subsequent Events)* for further discussion. The remaining tranche in the amount of $40,500 is scheduled for funding on January 31, 2025, if the performance milestones are met per the terms and conditions set forth in the Credit Agreement.

Securities Purchase Agreement

On June 21, 2024, the Company entered into a Securities Purchase Agreement (the "SPA") with CCM Denali Equity Holdings, LP (the "Purchaser").

SPA Warrant

Under the SPA, the Company issued a warrant to purchase 43,276,194 shares of Common Stock representing a collective ownership of 19.9% (the "SPA Warrant"). The SPA Warrant has a ten-year term and an exercise price of $0.01 per share. The SPA Warrant includes anti-dilutive rights, subject to certain excluded issuances, in the event any shares of Common Stock, options, warrants, convertible securities or other equity or equity equivalent securities payable in Common Stock are issued at a price per share of less than the fair market value (as defined in the Warrant) of a share of Common Stock on the issuance date of the Warrant, subject to adjustment. Until or unless the Company receives stockholder approval, the Company may not issue additional shares of Common Stock exceeding 19.99% of shares of Common Stock issued and outstanding as of the date of the Initial Draw (such percentage, as may be adjusted in accordance with the terms of the Warrant, the "Warrant Conversion Cap") upon exercise of the Warrant, and is required to issue, at the option of the Lender, Series A Preferred Stock or additional warrants on Common Stock upon a draw under the Delayed Draw Credit Facility. Following shareholder approval, the Warrant Conversion Cap increases to 49.9% of the number of shares of Common Stock issued and outstanding as of the applicable measurement date; provided that, following shareholder approval, the holder of the Warrant has the option to amend the Warrant Conversion Cap to any percentage less than 49.9%. Shareholder approval was obtained on September 10, 2024.

The SPA Warrant is exercisable at the holder's discretion for cash or on a cashless basis. The SPA Warrant is subject to automatic cashless exercise on the expiration date if the fair market value of one share is greater than the exercise price then in effect. Upon an acceleration under the Credit Agreement, the Company may be required to purchase the SPA Warrant from the holder at an amount equal to the closing sale price less the SPA Warrant price at the request of the holder. The SPA Warrant meets the criteria for liability classification under ASC 480 and is recognized at fair value with changes in fair value included in Change in fair value of derivatives - related parties in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

3. Credit Agreement and Securities Purchase Transaction (cont.)

Contingent Warrants

Upon the achievement of performance milestones on dates specified in the Credit Agreement, the Company will receive additional funds and will issue at the option of the Lender, Preferred Stock (Series A-1 or A-2 Preferred Stock, if prior to shareholder approval or Series B Preferred stock if after shareholder approval) or warrants on common stock (collectively “Contingent Warrants”) under the SPA in an amount equal to the applicable percentage, up to an aggregate of 33.0% ownership limitation on a fully diluted basis at such time the Delayed Draw Term Loan is fully drawn. The Contingent Warrants meet the criteria for liability classification under ASC 480. As such, the Contingent Warrants are included in Warrants liability - related party on the Unaudited Condensed Consolidated Balance Sheets at fair value as of September 30, 2024. The change in fair value of the Contingent warrants is included in Change in fair value of derivatives - related parties on the Company’s Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. See Note 14, *Warrants Liability*, for further discussion of the SPA Warrant and Contingent Warrants.

Series A-1 Preferred Stock

On June 21, 2024, the Company filed with the Secretary of State of the State of Delaware the Series A-1 Certificate of Designation and issued 59 shares of Series A-1 Preferred Stock to satisfy the terms of the Credit Agreement. Under the terms of the Series A-1 Certificate of Designation, each share of Series A-1 Preferred Stock has an original issue price of $455,822.59 (the “A-1 Original Issue Price”) and a liquidation value, payable with the Common Stock, as if such shares were convertible into 541,357 shares, or an aggregate of 31,940,063 shares of Common Stock, subject to adjustment.

The 59 shares of Series A-1 Preferred Stock issued to Cerberus converted into shares of Series B-1 Preferred Stock once stockholder approval was obtained on September 10, 2024. See Series B Preferred Stock discussion below.

Series A-2 Preferred Stock

On August 29, 2024, the Company filed with the Secretary of State of the State of Delaware the Series A-2 Certificate of Designation (the “Series A-2 Certificate of Designation”).

Under the terms of the Series A-2 Certificate of Designation, each share of Series A-2 Preferred Stock has an original issue price of $9,555,515.30 (the “A-2 Original Issue Price”) and a liquidation value, payable pari passu with the Common Stock, as if such share was convertible into 4,115,209 shares, or an aggregate of 28,806,463 shares of Common Stock, subject to adjustment. The Series A-2 Preferred Stock is non-voting and non-convertible into Common Stock. Holders of the Series A-2 Preferred Stock are entitled to receive dividends or distributions on each share of Series A-2 Preferred Stock equal to dividends or distributions actually paid on each share of Common Stock, multiplied by the number of shares of Common Stock represented by the Series A-2 Preferred Stock Liquidation Value (as defined in the Series A-2 Certificate of Designation). The Series A-2 Preferred Stock terms are substantially identical to the Series A-1 Preferred Stock.

On August 29, 2024, in connection with the August Draw, and pursuant to the terms and conditions of the Credit Agreement between the Company and Cerberus, the applicable percentage increased by 4.9%, and as a result the Company issued to Cerberus 7 shares of Series A-2 Preferred Stock.

The 7 shares of Series A-2 Preferred issued to Cerberus converted into shares of Series B-2 Preferred Stock once stockholder approval was obtained in September 2024. See Series B Preferred Stock discussion below.

Series B Preferred Stock

On September 11, 2024, the Company filed with the Secretary of State of the State of Delaware the Certificate of Designation of Series B-1 Non-Voting Convertible Preferred Stock (“Series B-1”) and the Certificate of Designation of Series B-2 Non-Voting Convertible Preferred Stock (“Series B-2”).

(In thousands, except share and per share amounts)

3. Credit Agreement and Securities Purchase Transaction (cont.)

Under the terms of the Series B-1 Certificate of Designation, each share of Series B-1 Preferred Stock, par value $0.0001 per share (the "Series B-1 Preferred Stock"), has an original issue price of $841,999.99 (the "B-1 Original Issue Price").

The table below summarizes the Company's outstanding Preferred Stock as of September 30, 2024.

Preferred Stock	Issuance Date	Shares Issued	Original Issue Price	Shares Outstanding	Common Stock Equivalent
Series B-1 Preferred Stock	9/12/2024	31.940063	$ 841,999.99	31.940063	31,940,063
Series B-2 Preferred Stock	9/12/2024	28.806463	$ 2,322,000	28.806463	28,806,463

Conversion rights: Under the terms of the Series B-2 Certificate of Designation, each share of Series B-2 Preferred Stock, par value $0.0001 per share (the "Series B-2 Preferred Stock," and, collectively with the Series B-1 Preferred Stock, the "Series B Preferred Stock") has an original issue price of $2,322,000 (the "B-2 Original Issue Price"). The Series B Preferred Stock is convertible into Common Stock at a conversion ratio of 1.0 million shares of Common Stock per share of Series B Preferred Stock ("Conversion Ratio"). The Conversion Ratio is subject to down-round protection that is triggered if the Company issues equity for a price per share that is less than the conversion ratio.

Dividends: Holders of the Series B Preferred Stock are entitled to receive dividends or distributions on each share of Series B Preferred Stock equal to dividends or distributions actually paid on each share of Common Stock on an as-converted basis.

Appointment of Directors: At all times when the holders of the Preferred Stock beneficially own at least 10%, 15% 30%, or 40% of the capital stock of the Company, Preferred Stock shareholders, exclusively and voting together as a separate class, will have the right to appoint a maximum of 1, 2, 3, or 4 Directors to the Board of Directors of the Company (the "Board"), respectively. The Preferred Stock Shareholders will have the right to appoint a 4th Director to the Board only if such appointment does not result in a change of control under any Company governing documents or violate any applicable laws, including requirements of the SEC and Nasdaq.

Preemptive rights: The Series B Certificates of Designation contain customary preemptive rights that permit the Holders of Series B Preferred Stock to participate in certain future equity offerings by the Company.

Rights to distributions upon liquidation of the Company: In the event of a voluntary or involuntary liquidation, dissolution, or winding up of the Company, the holders of the Series B Preferred Stock are entitled to receive distribution of any of the assets or surplus funds of the Company pro rata with the holders of the Common Stock and any other holders of the preferred stock of the Company issued pursuant to the SPA and the Credit Agreement (the "Investor Preferred Stock"), including the Series B Preferred Stock, in an amount equal to such amount per share as would have been payable had all shares of Series B Preferred Stock been converted to Common Stock.

Protective provisions: The Company is prohibited from taking certain actions that could adversely affect the rights of the Preferred Stock without the affirmative vote of a majority of the outstanding shares of Preferred Stock until the later of (i) such time when the holders of Investor Preferred Stock shall no longer beneficially own at least 5% of the outstanding capital stock of the Corporation (ii) June 21, 2029.

Redemption Rights: At any time after June 21, 2029, in the case of the Series B-1 Preferred Stock, or August 29, 2029, in the case of the Series B-2 Preferred Stock, the outstanding shares of Series B Preferred Stock held by any holder become redeemable for cash at the redemption price. The redemption price will be an amount per share equal to the greater of (i) the B-1 Original Issue Price or B-2 Original Issue Price, as applicable, plus all accrued and unpaid dividends thereon, up to and including the date of redemption and (ii) the number of shares of Common Stock issuable upon conversion of the applicable Series B Preferred Stock multiplied by the average of the closing sale price of the Common Stock for the five (5) business days immediately prior to the date of redemption plus all accrued and unpaid dividends thereon, up to and including the date of redemption.

(In thousands, except share and per share amounts)

3. Credit Agreement and Securities Purchase Transaction (cont.)

As of September 30, 2024, both the Series B-1 and B-2 Preferred Stock are classified as mezzanine equity on the Unaudited Condensed Consolidated Balance Sheets at its redemption value because it is probable of becoming redeemable. The Company recorded accretion of the Series B-1 and B-2 Preferred Stock, which reduces additional paid-in capital, on the Unaudited Condensed Statements of Shareholders' Deficit.

Atlas Payoff Letter and Insurer Letter Agreement

On June 21, 2024 (the "Atlas Facility Termination Date"), the Company entered into a payoff letter agreement (the "Atlas Payoff Letter"), by and among the Company, ACP Post Oak Credit I LLC ("Atlas") and the Atlas Lenders (as defined below) relating to the Company's Senior Secured Term Loan (see Note 13, *Borrowings)*, dated as of July 29, 2022 (the "Atlas Credit Agreement"), by and among the Company and Atlas, as lender, administrative agent and collateral agent, and the lenders from time to time party thereto (collectively with Atlas, the "Atlas Lenders"). Pursuant to the Atlas Payoff Letter, as of the Atlas Facility Termination Date, all outstanding obligations under the Atlas Credit Agreement and the related facility documents were deemed paid and satisfied in full and all security interests and other liens granted to or held by the Atlas Lenders were terminated and released. Under the Atlas Payoff Letter, the Company agreed to pay to the Atlas Lenders on the Atlas Facility Termination Date (a) approximately $11,900 (which was released from the interest escrow account maintained pursuant to the Atlas Credit Agreement, and (b) $8,000. Atlas also agreed, in lieu of amounts due from the Company, to receive a $1,000 participation in the Credit Agreement, as negotiated between Atlas and the Lender. The Company has no obligation under the participation agreement between Atlas and the Lender. The payoff of the Senior Secured Term Loan resulted in a restructuring gain. These amounts are included in Gain (loss) on debt extinguishment on the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. See Note 13, *Borrowings*, for further discussion.

In connection with the termination of the Atlas Credit Agreement, the Company entered into an insurer letter agreement, dated as of June 21, 2024 (the "Insurer Letter Agreement"), with the insurance companies that issued insurance policies to certain Atlas Lenders in connection with the Atlas Credit Agreement (the "Atlas Insurers") pursuant to which the Company and the Atlas Insurers agreed that the Company shall pay to the Atlas Insurers, subject to the terms and conditions of the Insurer Letter Agreement (i) on December 31, 2024, subject to the absence of certain events of default under the Credit Agreement, $3,000 and (ii) on June 30, 2025, subject to the absence of certain events of default under the Credit Agreement, $4,000. These amounts are included in Accrued expenses on the Unaudited Condensed Consolidated Balance Sheets.

4. Revenue Recognition

The Company primarily earns revenue from sales of its energy storage systems and services including installation, commissioning and extended warranty services. Product revenues, which are generally recognized at a point in time, and service revenues, which are generally recognized over time, are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 3	
	2024	2023	2024	2023
Product revenue	$ 368	$ 662	$ 7,465	$ 9,58
Service revenue	486	22	888	18
Total revenues	$ 854	$ 684	$ 8,353	$ 9,76

For the three months ended September 30, 2024, the Company had two customers that accounted for 65.6% and 21.8% of total revenue; for the nine months ended September 30, 2024, we had two customers that accounted for 80.3% and 10.1% of total revenue as the Company focused on the transition to the new manufacturing line.

For the three months ended September 30, 2023, the Company had two customers that accounted for 51.4% and 35.5% of total revenue, respectively; for the nine months ended September 30, 2023, we had one customer that accounted for 91.0% of total revenue.

(In thousands, except share and per share amounts)

4. Revenue Recognition (cont.)

Contract assets and Contract liabilities

The following table provides information about contract assets and contract liabilities from contracts with customers. Contract assets, current, Contract liabilities, current and Contract liabilities, long-term are included separately on the Unaudited Condensed Consolidated Balance Sheets and contract assets expected to be recognized in greater than twelve months are included under Other assets, net.

	September 30, 2024	December 31, 2023
Contract assets	$ 13,051	$ 8,322
Contract liabilities	$ 12,024	$ 6,610

The Company recognizes contract assets for certain contracts in which revenue recognition performance obligations have been satisfied but invoicing to the customer has not yet occurred. Contract liabilities primarily relate to consideration received from customers in advance of the Company's satisfying performance obligations under contractual arrangements. Contract balances are reported in a net contract asset or liability position on a contract-by-contract basis at the end of each reporting period.

Contract assets increased by $4,729 during the nine months ended September 30, 2024, due to recognition of revenues for which invoicing has not yet occurred.

The following table provides information about changes in Contract liabilities during the nine months ended September 30, 2024:

	2024
Contract liabilities, beginning of the period	$ 6,610
Revenue recognized	(8,128)
Advance payments received from customers	7,457
Unbilled accounts receivable	6,085
Contract liabilities, end of the period	$ 12,024

Contract liabilities of $8,721 as of September 30, 2024, are expected to be recognized within the next twelve months and long-term contract liabilities of $3,303 are expected to be recognized as revenue in greater than twelve months. Contract assets of $11,911 as of September 30, 2024, are expected to be recognized within the next twelve months and long-term contract assets of $1,140 are expected to be recognized as accounts receivable in greater than twelve months.

Remaining Performance Obligations

Remaining performance obligations ("RPO") represent the allocated transaction price of unsatisfied or partially unsatisfied performance obligations. The Company expects to recognize revenue related to the RPOs as the performance obligations are satisfied in accordance with the Company's revenue recognition policy, which can be found in Note 2, *Summary of Significant Accounting Policies,* of the Company's Annual Report on Form 10-K for the year ended December 31, 2023. As of September 30, 2024, the Company's remaining performance obligations were approximately $30,149. The Company expects to recognize revenue of approximately 75% of the remaining performance obligations over the next twelve months, with the remainder recognized thereafter.

(In thousands, except share and per share amounts)

5. Cash, Cash Equivalents and Restricted Cash

Restricted cash - current consists of escrow deposits related to U.S. Custom Bonds insurance and escrow deposits related to our credit card program agreements.

Long-term restricted cash as of September 30, 2024, relates to, as defined in the Credit Agreement, the Minimum Liquidity covenant, Prior to the first tranche funding, the Company shall not permit cash and cash equivalents at any time be less than $2,500. Once the first tranche is funded, the requirement increases to $5,000 and once the Delayed Draw Term Loan is disbursed in full, or the first date any indebtedness is incurred through the DOE LPO, or the Company achieves positive Minimum Consolidated EBITDA, the requirement increases to $15,000.

Long-term restricted cash as of September 30, 2023, relates to interest that was required to be held in escrow per the Senior Secured Term Loan Agreement in an amount equal to the next four quarterly interest payments owed as of the balance sheet date. In connection with the June 2024 SPA and the Credit Agreement, the Company reached an agreement to payoff and terminate the Senior Secured Term Loan. Accordingly, the restricted cash held in the related escrow account was released (see Note 13, *Borrowings* and Note 3, *Credit Agreement and Securities Purchase Transaction* for further discussion).

The following table reconciles reported amounts from the Unaudited Condensed Consolidated Balance Sheets to Cash, Cash Equivalents and Restricted Cash reported within the Unaudited Condensed Consolidated Statements of Cash Flows:

	September 30, 2024	September 30, 2023
Cash and cash equivalents	$ 23,015	$ 57,970
Restricted cash - current	2,625	3,439
Long-term restricted cash	5,000	11,652
Total cash, cash equivalents and restricted cash	$ 30,640	$ 73,061

6. Inventory

The following table provides information about Inventory balances:

	September 30, 2024	December 31, 2023
Raw materials	$ 20,738	$ 15,487
Work-in-process	4,645	1,105
Finished goods	525	478
Total inventory, net	$ 25,908	$ 17,070

(In thousands, except share and per share amounts)

7. Property, Plant and Equipment, Net

The following table provides information about Property, plant and equipment, net balances:

	Estimated Useful lives	September 30, 2024	December 31, 2023
Equipment	5 to 10 years	$ 51,831	$ 20,559
Finance lease	5 years	504	504
Furniture	5 to 10 years	2,283	2,103
Leasehold improvements	Lesser of useful life/ remaining lease	9,047	7,718
Tooling	2 to 3 years	9,483	7,045
Construction in progress (“CIP”)		82	17,958
Total		73,230	55,887
Less: Accumulated depreciation		(21,684)	(18,032)
Total property, plant and equipment, net		$ 51,546	$ 37,855

Depreciation expense related to property, plant and equipment was $2,669 and $2,144 for the three months ended September 30, 2024, and 2023 and $5,193 and $7,255 for the nine months ended September 30, 2024 and 2023, respectively.

The Company recorded a loss from write-down of property, plant and equipment of $3,192 and $955 for the three months ended September 30, 2024, and 2023, and $3,528 and $7,151 for the nine months ended September 30, 2024, and 2023, respectively. The 2023 write-downs were mainly due to replacement of equipment, outsourcing of certain production processes and the shift in production from the Gen 2.3 battery system to the Z3™ battery system. The 2024 write-downs were primarily related to design changes from the Z3™-Phase 1 to Z3™-Phase 2 production in which the Phase 1 production assets could not be utilized or repurposed for Phase 2 production.

On June 28, 2024, the Company successfully began commercial operations on the first manufacturing line. Accordingly, the assets classified as construction in progress were reclassified to equipment, leasehold improvements, furniture and tooling as of June 28, 2024. Included in construction in progress prior to the reclassification were capitalized interest costs of $1,841 for the nine months ended September 30, 2024. There were no capitalized interest costs recognized for the three and nine months ended September 30, 2023 and for the three months ended September 30, 2024.

8. Intangible Assets

Intangible assets include patents valued at $400, which represents the cost to acquire the patents. These patents are determined to have useful lives and are amortized into the results of operations over ten years. The Company recorded amortization expense of $10 for the three months ended September 30, 2024, and 2023 and $30 for the nine months ended September 30, 2024 and 2023, related to patents.

The Company capitalized $146 of costs for internal-use software, including $8 of costs capitalized during the nine months ended September 30, 2024. The software has a useful life and is amortized into the results of operations over 3 years. The Company recorded amortization expense of $12 and $11 for the three months ended September 30, 2024, and 2023 and $36 and $31 for the nine months ended September 30, 2024, and 2023, respectively, related to software.

(In thousands, except share and per share amounts)

9. Notes Receivable, Net and Variable Interest Entities ("VIEs") Consideration

Notes receivable, net, relates to financing the Company offered to a customer. The Company reports the notes receivable at the principal balance outstanding less an allowance for losses. The estimate of credit losses is based on historical trends, the customer's financial condition and current economic trends. The Company charges interest at a fixed rate and calculates interest income by applying the effective rate to the outstanding principal balance.

The Company had notes receivable, net, of $847 and $863 outstanding as of September 30, 2024 and December 31, 2023, respectively. These amounts are included in Other assets, net and Other current assets in the accompanying Unaudited Condensed Consolidated Balance Sheets. As of September 30, 2024 and December 31, 2023, the allowance for expected credit loss related to the notes receivable amounted to $37 and $2, respectively.

The customer to whom the Company offers financing through notes receivable is a VIE. However, the Company is not the primary beneficiary, because the Company does not have power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Therefore, the VIE is not consolidated into the Company's consolidated financial statements. The maximum loss exposure is limited to the carrying value of notes receivable as of the balances sheet dates.

10. Accrued Expenses

Accrued expenses were as follows:

	September 30, 2024	December 31, 2023
Accrued payroll	$ 7,524	$ 4,553
Warranty reserve [(2)]	4,695	6,197
Accrued legal and professional expenses	11,468	10,710
Provision for contract losses	3,692	3,351
Insurance premium payable	—	2,605
Other [(1)]	10,386	4,916
Total accrued expenses	$ 37,765	$ 32,332

[(1)] Included in Other accrued expenses in the table above as of September 30, 2024, is $7,000 payable in accordance with the Insurer Letter Agreement. See Note 3, *Credit and Securities Purchase Transaction* for further discussion.

[(2)] Refer to the table below for the warranty reserve activity for the three and nine months ended September 30, 2024.

The following table summarizes warranty reserve activity:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Warranty reserve - beginning of period	$ 5,054	$ 4,421	$ 6,197	3,836
Additions for current period deliveries	61	58	326	455
Changes in the warranty reserve estimate	—	416	(1,150)	1,124
Warranty costs incurred	(420)	—	(678)	(520)
Warranty reserve - end of period	$ 4,695	$ 4,895	$ 4,695	$ 4,895

11. Government Grants

Inflation Reduction Act of 2022 ("IRA")

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 into law. The IRA has significant economic incentives for both energy storage customers and manufacturers for projects placed in service after December 31, 2022. Starting in 2023, there are PTC, which can be claimed on battery components manufactured in the U.S. and sold to U.S. or foreign customers. The tax credits available to manufacturers include a credit for ten percent of the cost incurred to make electrode active materials in addition to credits of $35 per kWh of capacity of battery cells and $10 per kWh of capacity of battery modules. These credits are cumulative, meaning that companies will be able to claim each of the available tax credits based on the battery components produced and sold through 2029, after which the PTC will begin to gradually phase down through 2032.

In April 2024, the Department of the Treasury and the Internal Revenue Service (IRS) issued final regulations (Final Regulations) on the transferability of certain energy tax credits, pursuant to Section 6418 of the Internal Revenue Code of 1986, as amended, which was enacted as part of the Inflation Reduction Act of 2022. The Company has reviewed these regulations and believes they do not have a material impact on the financial statements.

In October 2024, the Department of the Treasury and the Internal Revenue Service (IRS) issued final regulations (Final Regulations) to provide guidance on the PTC established by the Inflation Reduction Act of 2022. The Company is currently assessing the potential implications of these regulations on the financial statements.

Since the PTC is a refundable credit (i.e., a credit with a direct-pay option available), the PTC is outside the scope of ASC 740. Therefore, the Company accounts for the PTC under a government grant model. GAAP does not address the accounting for government grants received by a business entity that are outside the scope of ASC 740. The Company's accounting policy is to analogize to IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance,* under IFRS Accounting Standards. Under IAS 20, once it is reasonably assured that the entity will comply with the conditions of the grant, the grant money is recognized on a systematic basis over the periods in which the entity recognizes the related expenses or losses for which the grant money is intended to compensate. The Company recognizes grants once it is probable that both of the following conditions will be met: (1) the Company is eligible to receive the grant and (2) the Company is able to comply with the relevant conditions of the grant.

The PTC is recorded as the applicable items are produced and sold and the conditions in the preceding paragraph are met.

During the second quarter of 2024, the Company entered into tax credit purchase agreements to sell and transfer all of the PTCs related to the production and sale of battery cells and battery modules produced in calendar years 2023 and in the first quarter of 2024, that were eligible to be claimed on the Company's tax returns for the related years. The transferred tax credits were sold at 90% of their value and the cash purchase price of the PTCs was $3,430.

Cash was received from the buyer in April and June of 2024, after the completed registration requirements were filed through the IRS-provided electronic portal, inclusive of registration numbers needed to claim the credit on the Buyer's tax return. Upon the receipt of the cash payments, the Company recorded offsets to the PTC/Grant Receivable account. There were no differences between the recorded fair value of the PTC receivable and the amount of consideration received. Future differences, if any, will be recognized as an adjustment to cost of goods sold.

The Company recognized PTC credits of $170 and $109 for the three months ended September 30, 2024, and 2023 and $1,837 and $953 for the nine months ended September 30, 2024 and 2023, respectively, as a reduction of cost of goods sold on the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. As of September 30, 2024, and December 31, 2023, grant receivable related to the PTC in the amount of $1,506 and $3,256, respectively, is recorded in the Unaudited Condensed Consolidated Balance Sheets.

(In thousands, except share and per share amounts)

12. Related Party Transactions

2021 Convertible Note Payable

In July 2021, the Company issued a convertible note in the aggregate principal amount of $100,000 to Spring Creek Capital, LLC, a wholly-owned, indirect subsidiary of Koch Industries, Inc. (the “2021 Convertible Note”). In connection with the 2021 Convertible Note, the Company paid $3,000 to B. Riley Securities, Inc., a related party, who acted as a placement agent. Refer to Note 13, *Borrowings,* for additional information.

AFG Convertible Notes

In January 2023, the Company issued and sold $13,750 of 26.5% Convertible Senior PIK Notes due in 2026 (“AFG Convertible Notes”) to Great American Insurance Company, Ardsley Partners Renewable Energy, LP, CCI SPV III, LP, Denman Street LLC, John B. Bending Irrevocable Children’s Trust, John B. Berding and AE Convert, LLC, a Delaware limited liability company managed by Russell Stidolph, a director of the Company (together, the “AFG Convertible Notes Purchasers”). In connection with the issuance and sale of the AFG Convertible Notes, the Company entered into an investment agreement (the “Investment Agreement”) with the AFG Convertible Notes Purchasers. Refer to Note 13, *Borrowings,* for additional information.

Standby Equity Purchase Agreement

On April 28, 2022, the Company entered into the *Standby Equity Purchase Agreement (“*SEPA”). Pursuant to the SEPA, the Company had the right, but not the obligation, to sell to Yorkville shares of its common stock at the Company’s request. On August 23, 2023, the Company and Yorkville terminated the SEPA, as amended, by mutual written consent. See Note 13, *Borrowings* for pre-advance loans in form of convertible promissory notes and Note 19, *Shareholders' Deficit* for additional information.

Credit and Securities Purchase Transaction

Pursuant to the terms and conditions of Credit and Securities Purchase Transaction, Cerberus and CCM Denali Equity Holdings, LP, are considered related parties as result of the transactions. Refer to Note 3, *Credit and Securities Purchase Transaction* for detailed discussion.

13. Borrowings

The Company’s debt obligations consist of the following:

		September 30, 2024		December 31, 2023	
	Maturity Date	Principal Outstanding	Carrying Value*	Principal Outstanding	Carrying Value*
2021 Convertible Note Payable	June 2026	$ 119,289	$ 103,469	$ 115,815	$ 94,386
Delayed Draw Term Loan	June 2029	108,626	46,099	—	—
AFG Convertible Notes	June 2026	19,738	34,598	17,429	18,139
Notes payable - related party		247,653	184,167	133,244	112,525
Senior Secured Term Loan	March 2026	—	—	100,000	85,624
Equipment financing facility	April 2026	3,266	3,262	5,718	5,710
Total borrowings		250,919	187,429	238,962	203,859
Current portion		2,536	2,536	3,332	3,332
Total borrowings, non-current		$ 248,383	$ 184,893	$ 235,630	$ 200,527

*Carrying value includes unamortized deferred financing costs, unamortized discounts and fair value of embedded derivative liabilities, except for the Delayed Draw Term Loan, which is carried at fair value.

13. Borrowings (cont.)

Delayed Draw Term Loan ("DDTL")

As discussed in Note 3, *Credit and Securities Purchase Transaction*, the Company borrowed an Initial Draw of $75,000, and received $$71,250, net of the 5.0% original issue discount from Delayed Draw Term Loan facility on June 21, 2024. On August 29, 2024, the Company met the first tranche milestones and submitted a borrowing request under the Credit Agreement for the scheduled $30,000, and received $28,500, net of the 5.0% original issue discount. The remaining two tranches may be drawn in the amounts of $65,000 and $40,500 on October 31, 2024, and January 31, 2025, respectively, upon the Company's achievement of certain applicable funding milestones. See Note 3, *Credit Agreement and Securities Purchase Transaction* for additional information on this transaction.

Borrowings under the Credit Agreement bear interest at an annual rate equal to 15.0% per annum, subject to the following increases: (i) an additional 5.0% per annum upon the occurrence of an event of default under the Credit Agreement; and (ii) an additional 1.0% - 5.0% per annum for failure to obtain stockholder approval within 90 to 240 days following the signing of the Credit Agreement. The Company's may elect to add accrued and unpaid interest on the loans to the principal amount of the loans (capitalized interest). Each tranche under the Delayed Draw Term Loan is subject to a 5.0% original issue discount payable at the time of each draw. Borrowings under the Credit Agreement are subject to certain fees, including (i) an exit fee equal to 5.0% of the aggregate principal amount of Loans, or Revolving Loans being paid, repaid, prepaid, refinanced or replaced in a prepayment event, (ii) a make-whole payment for certain prepayments prior to June 21, 2027 and (iii) a prepayment premium for any prepayments prior to the scheduled maturity date. The Credit and Guaranty Agreement includes a Minimum Liquidity requirement under which the Company shall not permit liquidity at any time be less than $2,500, prior to the first tranche funding. Following the first tranche being funded, the Minimum Liquidity requirement increased to $5,000 and once the Delayed Draw Term Loan is disbursed in full, or the first date any indebtedness is incurred through the DOE LPO, or the Company achieves positive Minimum Consolidated EBITDA, the Minimum Liquidity requirement increases to $15,000.

The DDTL is scheduled to mature on the earlier of (i) the date that is five years after the signing of the Credit Agreement and (ii) 91 days prior to the maturity of certain of the Company's outstanding convertible notes.

Milestones

In the event the Company fails to achieve any milestones on any predetermined tranche date or the one additional milestone measurement date, the Company will not receive the specific tranche unless waived by the Lenders, and will be subject to a penalty represented by an up to 4.0% increase in the applicable percentage in the form of additional warrants or preferred shares at each missed milestone measurement date, which could result in the issuance of additional shares of Preferred Stock or Warrants up to an applicable percentage increase of up to 16.0% for all missed milestones, or up to a 45.0% overall applicable percentage taking into account the 33.0% applicable percentage. If the Company fails to achieve an interim milestone, but then subsequently achieves the final milestone for that particular category, the incremental penalty equity related to that milestone category is returned to the Company.

Covenants

The Credit Agreement also contains certain financial covenants, including (each as defined in the Credit Agreement)

- Minimum Consolidated EBITDA
- Minimum Consolidated Revenue
- Minimum Liquidity

As of and for the three months ended September 30, 2024, the Company was in compliance with the Minimum Consolidated EBITDA and the Minimum Liquidity financial covenant, and secured a waiver from Cerberus for non-compliance with the Minimum Consolidated Revenue financial covenant.

(In thousands, except share and per share amounts)

13. Borrowings (cont.)

The facilities are subject to certain events of default which can be triggered by, among other things, (i) breach of payment obligations and other obligations and representations in the Credit Agreement nor related documents, (ii) default under other debt facilities with a principal above a predetermined amount, (iii) failure to perform or comply with certain covenants in the Credit Agreement, (iv) entry into a decree or order for relief in respect of the Company or any of its subsidiaries in an involuntary case under the Bankruptcy Code of the United States or under any other debtor relief law, (v) any money judgment, writ or warrant of attachment or similar process involving in the aggregate at any time an amount in excess of $2,500, (vi) any order, judgement or decree entered against the Company or the Guarantors decreeing the dissolution or split up of such entity, (vii) the failure of the Common Stock to be listed on an internationally recognized stock exchange in the United States and (viii) a change of control.

The Company elected the fair value option to account for the Delayed Draw Term Note for operational ease. The financial liability was initially measured at its issue-date fair value and is subsequently remeasured at fair value on a recurring basis at each reporting period date. The Company also elected the fair value option for the August Draw. The Initial Draw fair value, as well as the August Draw fair value (collectively the DDTL), was $25,653, and $12,528, respectively, at issuance. As of September 30, 2024, the fair value for the DDTL was $46,099. A loss of $3,036 and $3,276 was recognized for the three and nine months ended September 30, 2024, respectively. This is included in Change in fair value of debt - related party on the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. The Company also recorded a loss attributable to changes in instrument-specific risk of $4,642 for the three and nine months ended September 30, 2024. This is included in Change in fair value of debt - credit risk in Accumulated other comprehensive income.

The Company did not separately report interest expense attributable to the DDTL because such interest was included in the determination of the fair value of the Note. See Note 15, *Fair Value Measurement* for the assumptions used to determine the fair value the Delayed Draw Term Loan at issuance and at September 30, 2024.

2021 Convertible Note Payable – Related Party

On July 6, 2021, the Company entered into an investment agreement with Spring Creek Capital, LLC, a wholly-owned, indirect subsidiary of Koch Industries, Inc. The investment agreement provides for the issuance and sale to Koch Industries of the 2021 Convertible Note in the aggregate principal amount of $100,000.

The 2021 Convertible Note contains an embedded derivative feature, which is presented on the Unaudited Condensed Consolidated Balance Sheets as a component of Notes payable - related party. See Note 15, *Fair Value Measurement* for the assumptions used to determine the fair value of the embedded derivative as of September 30, 2024 and December 31, 2023.

Interest expense recognized on the 2021 Convertible Note is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Contractual interest expense	$ 1,789	$ 1,686	$ 5,264	$ 4,960
Amortization of debt discount	1,713	1,365	4,832	3,822
Amortization of debt issuance costs	165	132	467	371
Total	$ 3,667	$ 3,183	$ 10,563	$ 9,153

(In thousands, except share and per share amounts)

13. Borrowings (cont.)

The balances for the 2021 Convertible Note are as follows:

	September 30, 2024	December 31, 2023
Principal	$ 119,289	$ 115,815
Unamortized debt discount	(14,780)	(19,612)
Unamortized debt issuance costs	(1,428)	(1,895)
Embedded conversion feature	388	78
Aggregate carrying value	$ 103,469	$ 94,386

The Company is obligated to repay all contractual interest attributable to the 2021 Convertible Note in-kind on a semi-annual basis, in accordance with the terms under the Delayed Draw Term Loan. Therefore, as of September 30, 2024 and December 31, 2023, interest payable attributable for the 2021 Convertible Note was $1,789 and nil, respectively. For the nine months ended September 30, 2024 and September 30, 2023, interest that was paid in kind, capitalized and added to the principal amount of the 2021 Convertible Note was $3,474 and $3,275, respectively.

AFG Convertible Notes - Related Party

On January 18, 2023, the Company entered into the Investment Agreement with the AFG Convertible Notes Purchasers relating to the issuance and sale to the AFG Convertible Notes Purchasers of $13,750 in aggregate principal amount of the Company’s AFG Convertible Notes. The AFG Convertible Notes bear interest at a rate of 26.5% per annum, which is entirely paid-in-kind (“PIK Interest”) semi-annually in arrears on June 30 and December 30. It is expected that the Notes will mature on June 30, 2026, subject to earlier conversion, redemption or repurchase. The AFG Convertible Notes are convertible into shares of the Company’s common stock, par value $0.0001 per share, based on an initial conversion price of approximately $1.67 per share subject to customary anti-dilution and other adjustments. The Company has the right to settle conversions in shares of common stock, cash, or any combination thereof.

The Conversion Option includes an exercise contingency, which requires the Company to obtain stockholder approval for conversions subject to the Exchange Cap. If stockholder approval of the issuance of additional shares of Common Stock is not obtained, following commercially reasonable efforts, the Company will be required to settle the conversion in excess of the Exchange Cap in cash. Since settlement in cash may be required in absence of stockholder approval, the embedded conversion feature fails the equity classification guidance in ASC 815 and is thus precluded from being classified in equity. Therefore, the embedded conversion feature is required to be bifurcated from the AFG Convertible Notes and accounted for at fair value at each reporting date, with changes in fair value recognized on the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. The embedded derivative is presented on the Unaudited Condensed Consolidated Balance Sheets as a component of Notes payable - related party. The fair value of the embedded derivative was $17,621 and $4,345 as of September 30, 2024 and December 31, 2023, respectively.

The fair value of the AFG Convertible Notes at issuance was $16,623, which was greater than the proceeds received. The Company recorded the difference of $2,873 as interest expense for the nine months ended September 30, 2023 on the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

(In thousands, except share and per share amounts)

13. Borrowings (cont.)

Interest expense recognized on the AFG Convertible Notes is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Contractual interest expense	$ 1,308	$ 1,020	$ 3,617	$ 2,659
Amortization of debt discount	246	192	682	550
Amortization of issuance costs	70	54	192	155
Total	$ 1,624	$ 1,266	$ 4,491	$ 3,364

The balances for the AFG Convertible Notes are as follows:

	September 30, 2024	December 31, 2023
Principal	$ 19,738	$ 17,429
Unamortized debt discount	(2,153)	(2,835)
Unamortized debt issuance costs	(608)	(800)
Embedded conversion feature	17,621	4,345
Aggregate carrying value	$ 34,598	$ 18,139

The Company is obligated to repay all contractual interest attributable to the AFG Convertible Notes in-kind on a semi-annual basis, in accordance with the terms of the Investment Agreement. Therefore, as of September 30, 2024 and December 31, 2023, interest payable attributable to the AFG Convertible Notes was $1,308 and nil, respectively. For the nine months ended September 30, 2024 and September 30, 2023, interest that was paid in kind, capitalized and added to the principal amount of the AFG Convertible Note was $2,309 and $1,640, respectively.

Senior Secured Term Loan

On July 29, 2022, the Company entered into a $100,000 Senior Secured Term Loan Credit Agreement with Atlas Credit Partners (ACP) Post Oak Credit I LLC, as administrative agent for the lenders and collateral agent for the secured parties. The Senior Secured Term Loan was scheduled to mature on the earlier of (i) July 29, 2026 and (ii) 91 days prior to the current maturity date of the 2021 Convertible Note of June 30, 2026.

The outstanding principal balance of the Senior Secured Term Loan bears interest, at the applicable margin plus, at the Company's election, either (i) the benchmark secured overnight financing rate ("SOFR"), which is a per annum rate equal to (y) the Adjusted Term SOFR plus 0.2616%, or (ii) the alternate base rate ("ABR"), which is a per annum rate equal to the greatest of (x) the Prime Lending Rate, (y) the NYFRB Rate (as defined in the agreement) plus 0.5% and (z) the SOFR. The applicable margin under the Credit Agreement is 8.5% per annum with respect to SOFR loans and 7.5% per annum with respect to ABR loans. Interest on the Senior Secured Term Loan accrues at a variable interest rate and interest payments are due quarterly.

Additionally, interest was required to be escrowed based on the principle outstanding. This amount was $11,755 at December 31, 2023. This escrowed and restricted cash was presented on a separate line item on the Unaudited Condensed Consolidated Balance Sheets as Long-term restricted cash. The agreements also contained customary affirmative and negative covenants. The Company was in compliance with all covenants prior to and at the time of the loan termination, as discussed below.

Termination of the Senior Secured Term Loan

On June 21, 2024, the Atlas Credit Agreement, and the subsequent commitment increase agreements thereto, which provided for a $100,000, were terminated pursuant to the terms of the Atlas Payoff Letter and the Insurer Letter Agreement, and all security interests and other liens granted to or held by the Atlas Lenders were terminated and released.

(In thousands, except share and per share amounts)

13. Borrowings (cont.)

In accordance with the Atlas Payoff Letter, the Company agreed to payoff the Senior Secured Term Loan for (a) approximately $11,900 (which was released from the interest escrow account maintained pursuant to the Atlas Credit Agreement and (b) $1,000 for the account of Atlas; provided that Atlas agreed to accept a participation in the Credit Agreement in lieu of such $1,000 payment, and (c) $8,000. In accordance with the Insurer Letter Agreement, the Company shall pay to the Atlas Insurers (i) on December 31, 2024, subject to the absence of certain events of default under the Credit Agreement, $3,000 and (ii) on June 30, 2025, subject to the absence of certain events of default under the Credit Agreement, $4,000.

Absent termination, the Senior Secured Term Loan would have matured on the earlier of (i) July 29, 2026 and (ii) 91 days prior to the maturity of certain of the Company's outstanding convertible notes. The aggregate principal amount of the Senior Secured Term Loan outstanding was $100,000 at the time of termination.

The Company accounted for the termination of the Senior Secured Term Loan in accordance with ASC 470-60, T*roubled Debt Restructurings*. As a result, the Company recognized a restructuring gain of $68,478 in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income for the nine months ended September 30, 2024.

See Note 3, *Credit Agreement and Securities Purchase Transaction* for additional information on this transaction.

The following table summarizes interest expense recognized:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Contractual interest expense	$ —	$ 3,540	$ 6,858	$ 10,366
Amortization of debt discount	—	105	224	297
Amortization of debt issuance costs	—	929	1,980	2,624
Total	$ —	$ 4,574	$ 9,062	$ 13,287

The Senior Secured Term Loan balances are as follows:

	December 31, 2023
Principal	$ 100,000
Unamortized debt discount	(1,459)
Unamortized debt issuance costs	(12,917)
Aggregate carrying value	$ 85,624

Equipment Financing facility

The Company entered into an agreement on September 30, 2021 with Trinity Capital Inc. ("Trinity") for a $25,000 equipment financing facility, the proceeds of which will be used to acquire certain manufacturing equipment, subject to Trinity's approval. Each draw is executed under a separate payment schedule (a "Schedule") that constitutes a separate financial instrument. The financing fees included in each Schedule are established through monthly payment factors determined by Trinity. Such monthly payment factors are based on the Prime Rate reported in The Wall Street Journal in effect on the first day of the month in which a Schedule is executed. The Company has drawn a portion of the facility as follows:

Date of Draw	Gross Amount of Initial Draw	Coupon Interest Rate	Debt Issuance Costs
September 2021	$ 7,000	14.3%	$ 175
September 2022	4,216	16.2%	96
Total Equipment Financing loans	$ 11,216		$ 271

(In thousands, except share and per share amounts)

13. Borrowings (cont.)

As of September 30, 2024 and December 31, 2023, total equipment financing carrying value was $3,262 and $5,710, respectively of which $2,536 and $3,332 are recorded as a current liability on the Unaudited Condensed Consolidated Balance Sheets, respectively. Interest expense attributable to the equipment financing agreement was $148 and $535 for the three and nine months ended September 30, 2024, respectively. Interest expense attributable to the equipment financing agreement was $265 and $874 for the three and nine months ended September 30, 2023, respectively.

Yorkville Convertible Promissory Notes - Related Party

In December 2022, February 2023, March of 2023, and April 2023, the Company issued convertible promissory notes with an aggregate principal amount of $37,000 in a private placement to Yorkville under the second and third supplemental agreements to the SEPA. The fair values of the convertible promissory notes at issuance were greater than the proceeds received. Accordingly, the Company recorded the excess of fair value of these promissory notes over the proceeds as Interest expense - related party in the amount of $17,572, for the nine months ended September 30, 2023, which is reflected in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

During the first half of 2023, Yorkville delivered Investor Notices requiring the Company to issue and sell an aggregate of 22,947,029 shares of common stock to Yorkville to offset all outstanding amounts owed to Yorkville under the outstanding convertible promissory notes. The Company recognized a loss on debt extinguishment from the issuance of common stock from the outstanding convertible promissory notes of $3,510 for the nine months ended September 30, 2023, which is reflected in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

The conversion feature for each of the convertible promissory notes did not qualify for the scope exception to derivative accounting, therefore the conversion option was bifurcated from each convertible promissory note. The bifurcated derivatives were recorded at their initial fair value on the date of issuance and subject to remeasurement at the debt extinguishment date, with changes in fair value recognized as a realized gain or loss in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. Net gain of $6,922 was recognized for the nine months ended September 30, 2023.

As of December 31, 2023, there were no outstanding Yorkville convertible promissory notes.

14. Warrants Liability

The amount of warrants outstanding and fair value for all warrants as of September 30, 2024 and December 31, 2023 are as follows:

	September 30, 2024		December 31, 2023	
	Number of Warrants Outstanding	Fair Value	Number of Warrants Outstanding	Fair Value
Warrants liability				
IPO warrants	274,400	$ 54	274,400	$ 55
April 2023 warrants	16,000,000	24,178	16,000,000	6,276
May 2023 warrants	3,601,980	5,917	3,601,980	1,544
December 2023 warrants	34,193,105	68,821	34,482,759	19,586
Total	54,069,485	$ 98,970	54,359,139	$ 27,461
Warrants liability - related party				
SPA Warrant	1	115,244	—	—
Contingent warrants[(a)]	—	151,805	—	—
Total	1	$ 267,049	—	$ —

(a) Contingent warrants represent future issuable shares of stock. See Note 3, *Credit and Securities Purchase Transaction* for further discussion.

14. Warrants Liability (cont.)

Warrants liability

The Company issued private placement warrants to B. Riley Financial, Inc. in conjunction with its initial public offering 2020 (“IPO warrants”).

In April 2023, the Company issued 16,000,000 shares of common stock and 16,000,000 private placement warrants to purchase shares of common stock. In May 2023, the Company issued another 3,601,980 shares of common stock and 3,601,980 private placement warrants to purchase shares of common stock (the “April 2023 warrants” and “May 2023 warrants”, respectively).

In December 2023, the Company issued in a combined public offering 34,482,759 shares of common stock and 34,482,759 accompanying common warrants to purchase shares of common stock (the "December 2023 warrants"). For the three and nine months ended September 30, 2024, 289,654 of the December 2023 warrants were exercised.

The IPO, April, May, and December 2023 Warrants are classified as Warrant liability on the Unaudited Condensed Consolidated Balance Sheets. The change in fair value of the IPO, April, May, and December 2023 Warrants is presented as Change in fair value of warrants on the Company’s Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. See Note 15, *Fair Value Measurements* for further information.

Warrants liability- related party

SPA Warrant

As discussed in Note 3, *Credit Agreement and Securities Purchase Transaction,* the Company issued to the Purchaser, one warrant to purchase 43,276,194 shares of Common Stock. The warrant has a ten-year term, a $0.01 per share exercise price, and is exercisable at the Purchaser’s discretion for cash or on a cashless basis. Upon an acceleration under the Credit Agreement, the Company could be required to purchase the warrant from the holder at an amount equal to the most recently quoted price. Following stockholder approval on September 10, 2024, the Warrant Conversion Cap increased to 49.9%. See Note 3, *Credit Agreement and Securities Purchase Transaction* for additional information on this transaction.

Contingent Warrants

Following the Initial Draw, on three separate predetermined draw dates upon the achievement of the corresponding performance milestone for each such draw date, the Company will receive additional funds under the Credit Agreement and will issue securities under the SPA in an amount equal to the applicable percentage, up to an aggregate of 33.0% ownership limitation on a fully-diluted basis at such time the Delayed Draw Term Loan is fully drawn. Although these contingent warrants are not issued or exercisable until additional draws occur, they meet the definition of a derivative and are recognized at fair value with changes in fair value reported in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

15. Fair Value Measurement

Accounting standards establish a hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

(In thousands, except share and per share amounts)

15. Fair Value Measurement (cont.)

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, contract assets, contract liabilities and accounts payable are considered to be representative of their fair value due to the short maturity of these instruments.

The following tables set forth the Company's financial liabilities measured at fair values based on the fair value hierarchy, as described above. These should also be read with Note 2, *Summary of Significant Accounting Policies*, in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

	September 30, 2024			December 31, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities						
SPA Warrant [(a)]	$ —	$ —	$ 115,244	$ —	$ —	$ —
Contingent warrants [(a)]	$ —	$ —	$ 151,805	$ —	$ —	$ —
IPO, April, May and December 2023 Warrants [(b)]	$ —	$ 54	$ 98,917	$ —	$ 55	$ 27,406
Delayed Draw Term Loan	$ —	$ —	$ 46,099	$ —	$ —	$ —
Embedded derivatives	$ —	$ —	$ 18,009	$ —	$ —	$ 4,423
Total liabilities	—	$ 54	$ 430,074	$ —	$ 55	$ 31,829

(a) Included in Warrants liability - Related party on the Unaudited Condensed Consolidated Balance Sheets.
(b) All these instruments are Level 3, except for the IPO warrants (Level 2). These are included in Warrants liability on the Unaudited Condensed Consolidated Balance Sheets.

Each of the following recurring level 2 and level 3 instruments' valuation model used to determine fair value is disclosed in the Company's Annual Report on the Form 10-K for the year ended December 31, 2023.

IPO Warrants

The IPO warrants are valued on the basis of the quoted price of the Company's public warrants, adjusted for insignificant difference between the public warrants and the private placement warrants.

April 2023 warrants, May 2023 warrants and December 2023 warrants

The April 2023 warrants, May 2023 warrants and December 2023 warrants all are valued using the Black-Scholes model at inception and on subsequent valuation dates. This model incorporates inputs such as the stock price of the Company, risk-free interest rate, volatility and time to expiration. The volatility is a significant unobservable input classified as Level 3 of the fair value hierarchy.

Embedded derivatives

The Company estimated the fair value of the embedded conversion features in the 2021 Convertible Note and the AFG Convertible Notes using a binomial lattice model at inception and on subsequent measurement dates. This model incorporates significant inputs such as the stock price of the Company, dividend yield, risk-free interest rate, debt yield and expected volatility. The volatility and debt yield are significant unobservable inputs classified as Level 3 of the fair value hierarchy.

(In thousands, except share and per share amounts)

15. Fair Value Measurement (cont.)

Accounting for instruments resulting from the Credit and Securities Purchase Transaction

The Loan commitment assets were measured at fair value as of June 21, 2024 (see Note 3, *Credit and Securities Purchase Transaction*). The fair value was $76,091 at issuance calculated using the discounted cash flow model. They will not be subsequently remeasured at fair value.

The following table summarizes instruments that were initially and subsequently measured at fair value. (see Note 3, *Credit and Securities Purchase Transaction*):

Instrument	Initial measurement date
Initial Draw of the Delayed Draw Term Loan	6/21/2024
SPA Warrant	6/21/2024
Contingent Warrants	6/21/2024
August Draw of the Delayed Draw Term Loan	8/29/2024

The fair value of each draw of the Delayed Draw Term Loan was estimated using a discounted cash flow ("DCF") method, based on the contractual cash flows discounted at a debt yield and considering the probability of achieving certain milestones.

The fair value for the SPA warrant is estimated based on its intrinsic value, using the Eos common stock closing price adjusted by a discount for lack of marketability ("DLOM"), less the exercise price of $0.01 for the SPA Warrant. A DLOM was applied considering the underlying shares of the SPA Warrants are unregistered.

The fair value of the Contingent Warrants is estimated based on the underlying Eos common stock closing price adjusted by a DLOM and an allowance for certain redemption features using Black-Scholes option pricing model, considering the probability of achieving certain milestones. A DLOM was applied considering the underlying shares of the Contingent Warrants are unregistered.

The fair values for all the above instruments are designated as level 3 measurements as they rely on significant unobservable inputs. The significant unobservable inputs for each of these instruments are disclosed in the tables below. All other inputs used are observable.

Quantitative information about all significant unobservable inputs used in the fair value measurement for non-recurring level 3 measurements:

Loan Commitment Assets:	**June 21, 2024**
Milestones achievement expectations	Very high probability
Debt yield	47.5 %

(In thousands, except share and per share amounts)

15. Fair Value Measurement (cont.)

Quantitative information about all significant unobservable inputs used in the fair value measurement for recurring level 3 measurements:

Delayed Draw Term Loan Initial Tranche	**June 21, 2024**	**September 30, 2024**
Debt yield	47.5 %	42.5 %

Contingent Warrants- all tranches	**June 21, 2024**	**September 30, 2024**
Milestones achievement expectations	Very high probability	Very high probability
Volatility	70.0 %	65.0 %
Discount for lack of marketability (“DLOM”)	10.0 %	10.0 %

SPA Warrant	**June 21, 2024**	**September 30, 2024**
Discount for lack of marketability (“DLOM”)	10.0 %	10.0 %

Delayed Draw Term Loan August Draw	**August 31, 2024**	**September 30, 2024**
Debt yield	42.5 %	42.5 %

(In thousands, except share and per share amounts)

15. Fair Value Measurement (cont.)

Level 3 Rollforward for Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes the changes in the fair value of liabilities that are included within the Company's accompanying Unaudited Condensed Consolidated Balance Sheets and are designated as Level 3:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Delayed Draw Term Loan				
Balance at beginning of the period	25,893	$ —	—	$ —
Additions- August Draw	12,528	—	38,181	—
Change in fair value of Term Loan	7,678	—	7,918	—
Balance at end of the period	$ 46,099	$ —	$ 46,099	$ —
SPA Warrant and Contingent Warrants				
Balance at beginning of the period	$ 141,296	$ —	$ —	$ —
Additions	—	—	95,094	—
Conversion to preferred stock	(74,686)	—	(74,686)	—
Change in fair value of warrants	200,439	—	246,641	—
Balance at end of the period	$ 267,049	$ —	$ 267,049	$ —
April, May, and December 2023 Warrants				
Balance at beginning of the period	$ 32,450	$ 56,905	$ 27,406	$ —
Additions	—	—	—	29,553
Change in fair value of warrants	66,466	(34,065)	71,510	(6,713)
Balance at end of the period	$ 98,916	$ 22,840	$ 98,916	$ 22,840
Embedded derivatives				
Balance at beginning of the period	$ 5,414	$ 42,767	$ 4,423	$ 1,945
Additions	—	—	—	42,191
Change in fair value of derivatives - related parties[1]	12,595	(27,398)	13,586	(28,767)
Balance at end of the period	$ 18,009	$ 15,369	$ 18,009	$ 15,369

[1] Includes loss on debt extinguishment from Yorkville Promissory Note conversions for the nine months ended September 30, 2023.

The estimated fair value of financial instruments not carried at fair value in the Unaudited Condensed Consolidated Balance Sheets was as follows:

	September 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes receivable	$ 847	$ 743	$ 863	$ 719
Loan commitment assets	58,525	53,274	—	—
2021 Convertible Note*	103,469	72,680	94,386	57,998
Senior Secured Term Loan	—	—	85,624	61,360
AFG Convertible Notes*	34,598	35,103	18,139	18,352
Equipment financing facility	3,262	2,918	5,710	4,826
Preferred Stock	156,069	168,668	—	—
Total	$ 356,770	$ 333,386	$ 204,722	$ 143,255

*Includes the embedded derivative liabilities.

(In thousands, except share and per share amounts)

16. Commitments and Contingencies

Minimum Volume Commitment

In June 2022, the Company entered into a long-term supply agreement containing a minimum volume commitment with a third party that provides services to process certain raw materials. Any purchase order issued under this supply agreement will be non-cancellable. If the Company fails to order the guaranteed minimum volume defined in the contract at the end of the term, the Company will be required to pay the counterparty an amount equal to the shortfall, if any, multiplied by a fee. The Company is currently negotiating a new long-term supply agreement with the counterparty. As part of the ongoing negotiations, the Company has agreed to pay the counterparty $1,250 as a shortfall penalty and transfer equipment with a net book value of approximately $600. As a result, the Company will be released of any minimum volume commitments as part of the original agreement. A liability of $1,850 has been recorded and is included in Accrued expenses on the Unaudited Condensed Consolidated Balance Sheets and was recognized in Cost of goods sold on the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

Class Action Complaints

On March 8, 2023, a class action lawsuit was filed in the Court of Chancery of the State of Delaware by plaintiff Richard Delman against certain defendants including the Company's former directors (the "Delman Defendants"). Neither the Company nor Eos Energy Storage LLC were named as a defendant but each was identified in the Complaint as a relevant non-party and the Company has indemnification obligations relating to the lawsuit. On February 1, 2024, the parties agreed to a binding Settlement Term Sheet (the "Settlement") whereby plaintiff agreed to resolve the lawsuit in exchange for a settlement payment of $8,500, to be fully funded by the Company's Directors and Officers ("D&O") liability insurance policies subject to a retention by the Company of approximately $1,000 consisting of the Company's payment of legal fees related to this matter. On June 1, 2024, the parties submitted to the Court of Chancery a definitive Stipulation and Agreement of Settlement, Compromise, and Release, and related documents. On October 17, 2024, the Court of Chancery approved the proposed Settlement and the Company coordinating the settlement payment with the Company's D&O insurers.

On August 1, 2023, a class action lawsuit was filed in the United States District Court of New Jersey by plaintiff William Houck against the Company, the Company's Chief Executive Officer, its former Chief Financial Officer and its current Chief Financial Officer (with the Company, the "Houck Defendants"). The Complaint alleges that the defendants violated federal securities laws by making knowingly false or misleading statements about the Company's contractual relationship with a customer and about the size of the Company's order backlog and commercial pipeline. Defendants deny the allegations and, on February 13, 2024, moved to dismiss the Complaint. On March 5, 2024, plaintiff filed an amended complaint that dropped the Company's former Chief Financial Officer as a defendant. On April 4, 2024, defendants filed a renewed motion to dismiss the lawsuit. The Company intends to continue to vigorously defend against this action.

17. Stock-Based Compensation

Stock-based compensation expense included in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock options	$ —	$ 1,048	$ 264	$ 2,027
Performance-based restricted stock units	3,681	—	3,681	—
Restricted stock units	2,461	3,408	6,995	8,096
Total	$ 6,142	$ 4,456	$ 10,940	$ 10,123

(In thousands, except share and per share amounts)

17. Stock-Based Compensation (cont.)

The stock compensation expense has been recorded in cost of goods sold, research and development expenses and selling, general and administrative expenses.

Restricted Stock Units ("RSU")

As of September 30, 2024, there was $26,569 of unrecognized compensation cost attributable to unvested restricted stock units. Compensation expense for these unvested awards is expected to be recognized over a weighted-average remaining vesting period of 2.4 years for RSUs.

Performance-Based Restricted Stock Units ("PRSU")

During the third quarter of 2024, the Company granted contingent shares to select key executives that may be earned based on the Company's total shareholder return ("TSR") over a two and three-year period following the grant date. TSR awards are paid out in stock at the end of the vesting period based on the Company's stock performance. The performance is measured by determining the percentile rank of the total shareholder return of the Company's common stock relative to the TSR of the Russell 2000 index peer group for the two and three-year period following the grant date. This peer group includes the entire Russell 2000 index as it existed at the beginning of the performance period, excluding any companies that were removed from the index during the performance period. The payment of awards following the two and three-year award period is based on performance achieved in accordance with the scale set forth in the plan agreement and may range from 0% to 200% of the initial grant. The fair value of the TSR awards is estimated using a Monte Carlo simulation in an option pricing framework.

The following summarizes the key assumptions used to estimate the fair value of the TSR awards that were granted, and the resulting weighted average grant date fair value.

	TSR awards
Company share price	$ 1.74
Company volatility	115.3 %
Company correlation	36.1 %
Company dividend yield	— %
Weighted average performance term	2.4 years
Weighted average risk-free interest rate	4.3 %
Peer group average volatility	54.3 %
Peer group average correlation	44.2 %
Weighted average grant date fair value	**$ 3.19**

During the third quarter of 2024, the Company also granted shares contingent upon the achievement of certain performance milestones related to the Credit Agreement that may be earned over the performance period following the grant date. The contingent share awards ("Milestone PRSU") are paid out in stock at the end of the vesting period based on the Company's achievement of the performance milestones.

As of September 30, 2024, there was $13,863 of unrecognized compensation cost related to the Company's PRSUs. This cost is expected to be recognized over a weighted average period of 1.0 year.

18. Income Taxes

Income tax (benefit) expense was $(16) and $13 for the three months ended September 30, 2024 and 2023, and $17 and $25 for the nine months ended September 30, 2024 and 2023 respectively, related to state margin tax adjustments and taxable earnings from foreign operations. The income tax expense differs from the amount computed by applying the statutory U.S. federal income tax rate of 21% to the loss before income taxes. This is due to non-deductible losses, foreign operations and pre-tax losses for which no tax benefit can be recognized for U.S. income tax purposes.

18. Income Taxes (cont.)

The Company estimates and applies the annual effective tax rate to its ordinary earnings each interim period. Any significant unusual or infrequent items are not included in the estimation of the annual effective tax rate; instead, these items and their related income tax expense are separately stated in the interim period in which they occur. The quarterly estimate of the annual effective tax rate and related tax expense is subject to variation due to a multitude of factors, including, but are not limited to, the inability to accurately predict the Company's pre-tax and taxable income and loss.

At each balance sheet date, management assesses the likelihood that the Company will be able to realize its deferred tax assets. Management considered all available positive and negative evidence in assessing the need for a valuation allowance. The realization of deferred tax assets depends on the generation of sufficient taxable income of the appropriate character and in the appropriate taxing jurisdiction during the future periods in which the related temporary differences become deductible. Management has determined that it is unlikely that the Company will be able to utilize its U.S. deferred tax assets at September 30, 2024 and December 31, 2023 due to cumulative losses. Therefore, the Company has a valuation allowance against its net U.S. deferred tax assets.

As of September 30, 2024 and December 31, 2023, the Company has unrecognized tax benefits associated with uncertain tax positions that, if recognized, would not affect the effective tax rate on income from continuing operations. The Company is not currently under examination by any taxing jurisdiction and none of the unrecognized tax benefits are expected to reverse within the next 12 months.

The Company files income tax returns in U.S. federal and various state jurisdictions, as well as in Italy and India. The open tax years for federal returns are 2020 and forward and open tax years for state returns are generally 2019 and forward. In addition, net operating losses generated in closed years and utilized in open years are subject to adjustment by the tax authorities.

19. Shareholders' Deficit

Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Company's Board of Directors. The preferred stock has a par value of $0.0001 As of September 30, 2024 and December 31, 2023, there were no shares of preferred stock issued or outstanding.

Common Stock

The Company is authorized to issue 600,000,000 shares of common stock at $0.0001 par value as of September 30, 2024. The holders of the Company's common stock are entitled to one vote for each share held. At September 30, 2024 and December 31, 2023, there were 217,278,404 and 199,133,827 shares of common stock issued and outstanding, respectively.

Treasury Stock

The Company recorded treasury stock of $771 and $136 for the three months ended September 30, 2024 and 2023 and $1,122 and $587 for the nine months ended September 30, 2024 and 2023, respectively, for shares withheld from employees to cover the payroll tax liability of RSUs vested. The treasury stock was immediately retired.

Public Warrants

The Company sold warrants to purchase 9,075,000 shares of the Company's common stock in a public offering on May 22, 2020 (the "Public Warrants"). Each Public Warrant entitles the holder to purchase a share of common stock at a price of $11.50 per share. There were no Public Warrants exercised during the three and nine months ended September 30, 2024 and 2023. As of September 30, 2024 and December 31, 2023, there were 7,052,254 public warrants outstanding for both periods.

(In thousands, except share and per share amounts)

19. Shareholders' Deficit (cont.)

Standby Equity Purchase Agreement

During the nine months ended September 30, 2023, total funds raised under the SEPA, inclusive of proceeds received from the Yorkville convertible promissory notes, were $35,550. During the nine months ended September 30, 2023, total shares issued under the SEPA were 23,630,937.

On August 23, 2023, the Company and Yorkville terminated the SEPA, as amended, by mutual written consent. At the time of termination, there were no outstanding borrowings, advance notices or shares of Common Stock to be issued under the SEPA. In addition, there were no fees due by the Company or Yorkville in connection with the termination of the SEPA.

At-the-Market Offering Program

The Company has a sales agreement with Cowen and Company, LLC ("Cowen"), with respect to an at-the-market offering ("ATM") program under which the Company may offer and sell, from time to time at its sole discretion, shares of its common stock, having an aggregate offering price of up to $200,000 through Cowen as its sales agent and/or principal.

During the nine months ended September 30, 2024, the Company sold 16,627,523 shares raising proceeds of $14,089, net of fees paid to Cowen, at an average selling price of $0.87 per share. There were no shares issued under the ATM offering program for the three months ended September 30, 2024.

During the three and nine months ended September 30, 2023, the Company sold 28,938,944 shares raising proceeds of $81,897, net of fees paid to Cowen, at an average selling price of $2.74 per share.

20. Earnings Per Share

The following table provides the numerators and denominators used in computing basic and diluted net income (loss) per share for the three months ended September 30, 2024 and 2023:

	For the Three Months Ended September 30,	
	2024	2023
Net (loss) income for basic earnings per share	$ (384,133)	$ 14,932
Effect of potentially dilutive shares:		
Adjustment for interest on Convertible Notes	—	4,449
Adjustment for fair value gains on embedded derivatives for Convertible Notes	—	(27,398)
Net loss for diluted earnings per share	$ (384,133)	$ (8,017)
Weighted-average basic common shares outstanding	216,898,374	138,005,222
Dilutive effect of Convertible Notes	—	14,836,450
Dilutive effect of April and May Warrants	—	1,344,677
Dilutive effect of Restricted Stock Units	—	1,142,184
Dilutive effect of Stock Options	—	996,751
Weighted-average dilutive common shares outstanding	216,898,374	156,325,284
Earnings per share:		
Basic	$ (1.77)	$ 0.11
Diluted	$ (1.77)	$ (0.05)

(In thousands, except share and per share amounts)

20. Earnings Per Share (cont.)

Basic net earnings per share ("EPS") is calculated by dividing net earnings attributable to common stockholders by the weighted average number of shares of common stock outstanding for the applicable period. Diluted EPS is computed using the treasury stock method for warrants, stock options, and restricted stock units; and the if-converted method for convertible notes.

For the three months ended September 30, 2023, the following potentially dilutive shares were excluded from the calculation of diluted net loss per share because their effect would have been anti-dilutive.

	Three Months Ended September 30, 2023
Public and private placement warrants	7,326,654
Stock options	1,585,056

Generally, basic earnings per share ("EPS") is computed by dividing earnings available to common shareholders by the weighted average number of shares of common stock outstanding during the period.The Preferred Series B is a participating security that does not have the obligation to share in the losses of the Company. Therefore, the more dilutive of the "if-converted" and "two-class" method must be applied when calculating EPS for the common shares. Management has elected to recognize changes in the redemption value of the Series B Preferred Stock. At each balance sheet date, the redemption value of the Series B Preferred Stock will be calculated, and if the redemption value is greater than the carrying value, the carrying value will be accreted to the redemption value. The accretion is recorded as a deemed dividend, which, in the absence of Retained earnings, reduces additional paid in capital and earnings available to common shareholders in computing basic and diluted EPS. Other potentially dilutive common shares and the related impact to earnings are considered when calculating EPS on a diluted basis.

Since the Company incurred a net loss for the three months ended September 30, 2024, as well as the nine months ended September 30, 2024 and 2023, the potential dilutive shares from stock options, restricted stock units, warrants, and convertible notes were excluded from the calculation of diluted net loss per share because their effect would have been anti-dilutive for the periods presented. Therefore, basic and diluted EPS are computed using the same number of weighted-average shares for the three months ended September 30, 2024, as well as the nine months ended September 30, 2024 and 2023. The following potentially dilutive shares were excluded from the calculation of diluted net loss per share because their effect would have been anti-dilutive for the three months ended September 30, 2024, as well as the nine months ended September 30, 2024 and 2023:

	Three and Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Stock options, RSUs, PRSUs	26,966,240	9,239,612
Public and private placement warrants	104,397,933	26,928,634
Convertible Notes (if converted)	17,782,644	14,836,450
Series B Preferred Stock	60,746,526	—

21. Subsequent Events

On October 31, 2024, the Company announced the achievement of all four of the second performance milestones previously agreed upon between Eos and Cerberus. Achieving these performance milestones enables the company to draw an additional $65,000 from the Delayed Draw Term Loan. On November 1, 2024, Cerberus funded the $65,000 related to the October 31, 2024 tranche ("October Draw" or "October Tranche"), and the Company received $61,750, which is net of the 5.0% original issue discount from the Delayed Draw Term Loan.

21. Subsequent Events (cont.)

Additionally, on November 1, 2024, the Company filed with the Secretary of State of the State of Delaware the Certificate of Designation of Series B-3 Non-Voting Convertible Preferred Stock of the Company (the "Series B-3 Certificate of Designation"). In connection with the October Draw, the Applicable Percentage increased by 6.1%, and as a result the Company issued to Cerberus 38.259864 shares of a newly designated non-voting Series B-3 Convertible Preferred Stock, par value $0.0001 per share (the "Series B-3 Preferred Stock"), which are convertible into an aggregate of 38,259,864 shares of Common Stock. Collectively, the SPA Warrant, the Series B Preferred Stock, and the newly created Series B-3 Preferred Stock are exercisable or convertible into, as applicable, an aggregate of 142,282,584 shares of Common Stock, or an Applicable Percentage of 30.9% as of issuance date.

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

The following discussion should be read in conjunction with the accompanying Unaudited Condensed Consolidated Financial Statements for the nine months ended September 30, 2024 and 2023 and the Company's Annual Report on Form 10-K for the year ended December 31, 2023, including the financial statements and notes thereto.

Overview

The Company offers an innovative Znyth™ technology battery energy storage system ("BESS") designed to provide the operating flexibility to manage increased grid complexity and price volatility resulting from an overall increase in renewable energy generation and a congested grid coming from an increase in electricity demand growth. The Company's BESS is a validated chemistry with accessible non-precious earth components in a durable design that is intended to deliver results in even the most extreme temperatures and conditions. The system is designed to be safe, flexible, scalable, sustainable and manufactured in the United States using raw materials primarily sourced in the United States. We believe the Company's Z3™ battery module is the core of its innovative systems. The Z3 battery module is the only US designed and manufactured battery module that today provide utilities, independent power producers, renewables developers and C&I customers with an alternative to lithium-ion and lead-acid monopolar batteries for critical 3- to 12-hour discharge duration applications. We believe the Z3 battery will transform how utility, industrial and commercial customers store power.

In addition to its BESS, the Company currently offers: (a) a BMS which provides a remote asset monitoring capability and service to track the performance and health of the Company's BESS and to proactively identify future system performance issues through predictive analytics; (b) project management services to ensure the process of implementing the Company's BESS are coordinated in conjunction with the customer's overall project plans; (c) commissioning services that ensure the customer's installation of the BESS meets the performance expected by the customer; and (d) long-term maintenance plans to maintain optimal operating performance of the Company's systems**.**

The Company's growth strategy contemplates increasing sales of battery energy storage systems and related software and services through a direct sales team and sales channel partners. The Company's current and target customers include utilities, project developers, independent power producers and commercial and industrial companies.

Strategy

The Company continues to invest in the refinement and production of its Z3 battery, which builds off the same electrochemistry that has not fundamentally changed for the better part of a decade. The next Z3 battery is designed to reduce cost and weight while improving manufacturability and system performance. The Eos Z3 battery is more cost-effective and has a simpler tub design with 50% fewer cells and 98% fewer welds per battery module than the Gen 2.3. The Company currently expects that the Z3 battery will give customers the benefit of two times the energy density per square foot, along with the ability to cycle multiple times per day, all with the same safety, reliability, security and recyclability. The Z3 transition is fully underway and the first semi-automated battery manufacturing line is installed and has started commercial production. The Z3 batteries utilize the same chemistry, which has over 3 million cycles, and incorporate a new mechanical design aimed at improving performance, lowering cost and increasing manufacturability.

The Company started delivery of its Z3 battery modules in the third quarter of 2023. The Z3 battery incorporates valuable lessons learned from the past 15 years into a new system design which the Company expects to result in efficiencies as it develops its new state-of-the-art manufacturing line.

The Company believes the simplicity, flexibility and safety of our products are what the market desires. In addition, we believe that the Inflation Reduction Act gives us a competitive advantage by virtue of production tax credits ("PTC") that can be claimed on battery components manufactured domestically, and tax credits for customers for projects that satisfy domestic content requirements. See *Regulatory Landscape* section. The Company intends to engage with a consortium of community leaders, universities and supply chain partners in anticipation of pursuing grants made available under the Bipartisan Infrastructure Law of 2021.

Regulatory Landscape

U.S. Department of Energy (“DOE”)

In August 2023, the DOE issued a Conditional Commitment Letter to the Company for a loan of an aggregate principal amount of up to $398.6 million through the DOE’s Clean Energy Financing Program. The Conditional Commitment Letter follows an extensive technical, financial and commercial due diligence process by the DOE. If finalized, the loan is expected to fund 80% of eligible costs of the Company’s planned manufacturing expansion in and around Turtle Creek, Pennsylvania.

Eligible costs include capital expenditures and other costs associated with ramping up the manufacturing lines and facility, for example start-up and shakedown costs, as well as certain material and labor costs before efficiencies are met. The Company is working to finalize the loan documents with the DOE and to fulfill certain conditions precedent. Eos is spending eligible costs now that would be reimbursable at first funding.

Inflation Reduction Act of 2022 (“IRA”)

The IRA features significant economic incentives for both energy storage customers and manufacturers for projects placed in service after December 31, 2022. One of the most important features of the IRA is that it offers a 10-year term tax credit, whereas historically similar industrial credits have been shorter in duration. Customers placing new energy storage facilities in service will be allowed to claim at least a thirty percent investment tax credit (“ITC”) under certain conditions. The IRA also offers an extra ten percent credit if the project is in an “energy community” and another ten percent credit if the project satisfies domestic content requirements, which will be set forth when the implementing regulations are finalized. The ten percent bonus for domestic content could represent a strategic advantage for the Company resulting from the Company’s near-sourcing and Made in America strategy, and we currently anticipate that projects utilizing Eos batteries will qualify for the bonus.

As discussed in Note 11, *Government Grants* to our Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report, starting in 2023, there are Production Tax Credits under Internal Revenue Code 45X (“PTC”) that can be claimed on battery components manufactured in the U.S. and sold to U.S. or foreign customers. These tax credits available to manufacturers include a credit for ten percent of the cost incurred to make electrode active materials in addition to credits of $35 per kWh of capacity of battery cells and $10 per kWh of capacity of battery modules. These credits are cumulative, meaning that companies will be able to claim each of the available tax credits based on the battery components produced and sold through 2029, after which the PTC will begin to gradually phase down through 2032. These credits are expected to be a new source of cash flow for Eos in the future.

Company Highlights

- In January 2024, the Company entered into a supply agreement with TETRA Technologies, Inc (“TETRA”) that further expanded this partnership. TETRA is a leading global energy services and solutions company. This supply agreement designates TETRA as the preferred strategic supplier of electrolyte products for the Company’s Eos Z3TM long duration energy storage cube.
- In February 2024, the Company entered into a multiyear pricing agreement with SHPP US LLC, a Saudi Basic Industries Corporation (“SABIC”) affiliate, to supply conductive composite thermoplastic for the Eos Z3TM battery module. The Company and SABIC have worked collaboratively to develop a solution using one of SABIC’s new resin materials to replace the titanium used in prior Eos battery iterations.
- In February 2024, the Company achieved “Power On” status of all motion systems on its first state-of-the-art manufacturing line. Reaching this milestone is a significant step in achieving the state-of-the-art manufacturing line being installed and commissioned in the Company’s Turtle Creek facility.
- In April 2024, the Company and Pine Gate Renewables signed an agreement to expand its existing relationship. The new Master Supply Agreement (“MSA”) is for 500 MWh of energy storage systems to be delivered over the next five years.
- In May 2024, the Company successfully completed its Factory Acceptance Testing on State of the Art (“SotA”) manufacturing line.
- For the three months ended September 30, 2024, the Company recognized $0.2 million of grant income related to the IRA PTC.
- In June 2024, the Company announced a strategic investment of up to $315.5 million from an affiliate of Cerberus Capital Management LP (“Cerberus”), to support the Company’s growth plans.
- In June, the Company recognized a gain on debt extinguishment of $68.5 million from the payoff of the Senior Secured Term Loan.
- In June 2024, the Company completed the installation of the first state of the art line in its Turtle Creek facility and began commercial production of batteries off the new line to be delivered to customer sites.

- In July 2024, the Company and Indian Energy announced an agreement to expand its existing relationship. The expanded agreement with Indian Energy added 25 MWh of storage to the existing 35 MWh order for an overall project size of 60 MWh.
- In July 2024, the Company regained compliance with the minimum continued listing criteria set forth in Nasdaq Listing Rule 5550(a)(2) as of July 9, 2024, based on the closing bid price of the Company's common stock being at or above $1.00 per share for the 10 consecutive business days from June 24, 2024 to July 8, 2024.
- In August 2024, the Company successfully achieved all four of the first performance milestones previously agreed upon between Eos and Cerberus as part of Cerberus's strategic investment in the Company. Achieving these specific performance milestones allowed the Company to draw an additional $30 million on the Delayed Draw Term Loan from Cerberus to fund ongoing operations and production expansion to meet the growing demand for long duration energy storage solutions.
- In October 2024, the Company successfully achieved all four of the performance milestones for the October Draw previously agreed upon between Eos and Cerberus as part of Cerberus's strategic investment in the Company. Achieving these specific performance milestones allowed the Company to draw an additional $65.0 million on the Delayed Draw Term Loan from Cerberus.

Results of Operations

Revenue

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
($ in thousands)	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Revenue	$ 854	$ 684	170	25 %	$ 8,353	$ 9,768	(1,415)	(14)%

The Company generates revenues from the delivery of its BESS and service-related solutions. The Company expects revenues to increase as it scales production to meet customer demand.

For the three months ended September 30, 2024, Revenue increased by $0.2 million or 25% from $0.7 million. The increase for the three months is due to higher product component and commissioning sales. For the nine months ended September 30, 2024, Revenue decreased by $1.4 million or 14% from $9.8 million. The decrease for the nine months is due to reduced production and deliveries due to the installation of the Company's new manufacturing line.

Cost of goods sold

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
($ in thousands)	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Cost of goods sold	$ 25,764	$ 21,262	4,502	21 %	$ 68,114	$ 59,448	8,666	15 %

Cost of goods sold primarily consists of direct costs relating to labor, material and overhead directly tied to product assembly, procurement and construction ("EPC"), project delivery, commissioning and start-up test procedures. Indirect costs included in cost of goods sold are manufacturing overhead such as equipment maintenance, environmental health and safety, quality and production control procurement, transportation, logistics, depreciation and facility-related costs. As a nascent technology with a new manufacturing process that is early in its product lifecycle, the Company still faces significant costs associated with production start-up, commissioning of various components, modules and subsystems and other related costs. The Company expects its cost of goods sold to exceed revenues in the near term as it continues to scale production and prepares battery energy storage systems delivered to customers to go-live.

For the three months ended September 30, 2024, Cost of goods sold increased by $4.5 million or 21% from $21.3 million. For the nine months ended September 30, 2024, Cost of goods sold increased by $8.7 million or 15% from $59.4 million.

The increase for the three months ended September 30, 2024 was primarily driven by an inventory reserve adjustment in 2024 due to lower of cost or market ("LCM") amounting to approximately $6.7 million, since the Company has negative gross margins for the period.

The increase for the nine months ended September 30, 2024 was primarily due to an increase in project commissioning costs on previously delivered projects, revaluations of inventory balances, along with the underutilization and absorption of labor and overhead associated with implementing the new line.

Research and development expenses

($ in thousands)	For the Three Months Ended September 30, 2024	2023	$ Change	% Change	For the Nine Months Ended September 30, 2024	2023	$ Change	% Change
R&D expenses	$ 7,428	$ 3,228	4,200	130 %	$ 16,878	$ 13,699	3,179	23 %

Research and development expenses consist primarily of salaries and other personnel-related costs, materials, third-party services, depreciation and amortization of intangible assets.

For the three months ended September 30, 2024, Research and development costs increased by $4.2 million or 130% from $3.2 million. For the nine months ended September 30, 2024, Research and development costs increased by $3.2 million or 23% from $13.7 million. The increase for the three and nine months was driven by higher spending on materials and supplies related to the implementation of the automated line, as well as an increase in payroll and personnel costs and stock compensation costs.

Selling, general and administrative expenses

($ in thousands)	For the Three Months Ended September 30, 2024	2023	$ Change	% Change	For the Nine Months Ended September 30, 2024	2023	$ Change	% Change
SG&A expenses	$ 17,796	$ 13,076	4,720	36 %	$ 43,331	$ 40,169	3,162	8 %

Selling, general and administrative expenses primarily consist of payroll and personnel-related, outside professional services, facilities, depreciation, travel, marketing and public company costs.

For the three months ended September 30, 2024, Selling, general and administrative expenses increased by $4.7 million or 36% from $13.1 million. For the nine months ended September 30, 2024, Selling, general and administrative expenses increased by $3.2 million or 8% from $40.2 million. The increase for the three and nine months was primarily driven by higher legal and advisory fees related to the Credit and Securities Purchase Transaction and payroll costs.

Loss from write-down of property, plant and equipment

($ in thousands)	For the Three Months Ended September 30, 2024	2023	For the Nine Months Ended September 30, 2024	2023
Loss from write-down of property, plant and equipment	$ 3,192	$ 955	$ 3,528	$ 7,151

The Company incurred a loss of $3.2 million and $1.0 million from write-down of property, plant and equipment for the three months ended September 30, 2024 and 2023, respectively, and a loss of $3.5 million and $7.2 million for the nine months ended September 30, 2024 and 2023, respectively. The 2023 write-downs were mainly due to replacement of equipment, outsourcing of certain production processes and the shift in production from the Gen 2.3 battery system to the Z3™ battery system. The 2024 write-downs were primarily related to design changes from the Z3™-Phase 1 to Z3™-Phase 2 production in which the Phase 1 production assets could not be utilized or repurposed for Phase 2 production.

Interest expense, net

($ in thousands)	For the Three Months Ended September 30, 2024	2023	For the Nine Months Ended September 30, 2024	2023
Interest expense, net	$ (133)	$ (4,994)	$ (7,915)	$ (14,709)

Interest expense, net includes expenses for accrued interest, amortization of debt issuance costs and debt discounts, partially offset by capitalized interest costs on CIP assets. For the three and nine months ended September 30, 2024, Interest expense, net decreased $4.9 million and $6.8 million, respectively, mainly due to lower interest expense recognized from the Senior Secured Term Loan.

Interest expense - related party

($ in thousands)	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
2021 Convertible Note Payable interest and amortization	$ (3,667)	$ (3,183)	$ (10,563)	$ (9,153)
AFG Convertible Note interest and amortization	(1,624)	(1,266)	(4,491)	(3,364)
AFG Convertible Note Day 1 loss	—	—	—	(2,873)
Yorkville Promissory Notes Day 1 losses	—	—	—	(17,572)
Interest expense, related party	$ (5,291)	$ (4,449)	$ (15,054)	$ (32,962)

See Note 13, *Borrowings* to our Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report for further discussion.

Change in fair value of debt - related party

The change in the fair value of debt - related party of $3.0 million and $3.3 million for the three and nine months ended September 30, 2024, respectively, relates to the Delayed Draw Term Loan.

Change in fair value of warrants

($ in thousands)	For the Three Months Ended September 30, 2024	For the Nine Months Ended September 30, 2024
	Change in Fair Value	
IPO warrants	$ (2)	$ 1
April 2023 warrants	(16,810)	(17,902)
May 2023 warrants	(4,099)	(4,373)
December 2023 warrants	(45,557)	(49,235)
Change in fair value of warrants	$ (66,469)	$ (71,510)

	For the Three Months Ended September 30, 2023			For the Nine months ended September 30, 2023		
($ in thousands)	Loss on issuance	Change in Fair Value	Net loss	Loss on issuance	Change in Fair Value	Net loss
IPO warrants	$ —	$ 341	$ 341	$ —	$ (36)	$ (36)
April 2023 warrants	—	27,566	27,566	(26,366)	6,191	(20,175)
May 2023 warrants	—	6,499	6,499	(5,267)	521	(4,746)
December 2023 warrants	—	—	—	—	—	—
Change in fair value of warrants	$ —	$ 34,406	$ 34,406	$ (31,633)	$ 6,676	$ (24,957)

Change in fair value of derivatives - related parties

Gain (Loss) ($ in thousands)	For the Three Months Ended September 30, 2024	2023	For the Nine Months Ended September 30, 2024	2023
Change in fair value of embedded derivatives - related parties	$ (12,595)	$ 27,398	$ (13,586)	$ (962)
Change in fair value of warrants - related parties	(200,439)	—	(246,641)	—
Change in fair value of derivatives - related parties	$ (213,034)	$ 27,398	$ (260,227)	$ (962)

The change in the fair value of embedded derivatives - related parties, was due to our convertible debt (See Note 13*, Borrowings*) and the change in fair value of warrants - related parties was due to changes in fair value of our SPA Warrant and contingent warrants (See Note 14*, Warrants Liability*).

Gain (loss) on debt extinguishment

($ in thousands)	For the Three Months Ended September 30, 2024	2023	For the Nine Months Ended September 30, 2024	2023
Gain (loss) on debt extinguishment	$ —	$ —	$ 68,478	$ (3,510)

For the nine months ended September 30, 2024, the Company recognized a gain on debt extinguishment of $68.5 million from the payoff of the Senior Secured Term Loan.

For the nine months ended September 30, 2023, the Company recognized a loss on debt extinguishment of $3.5 million from the issuance of common stock upon Yorkville's redemption of their convertible promissory notes.

Other (expense) income

($ in thousands)	For the Three Months Ended September 30, 2024	2023	For the Nine Months Ended September 30, 2024	2023
Other (expense) income	$ (1,593)	$ 421	$ (4,727)	$ (474)

For the three and nine months ended September 30, 2024, compared to the three and nine months ended September 30, 2023, Other (expense) income increased by $2.0 million and $4.3 million, respectively, primarily due to recognition of financing issuance costs from the Credit and Securities Purchase Transaction.

Income tax (benefit) expense

($ in thousands)	For the Three Months Ended September 30, 2024	2023	For the Nine Months Ended September 30, 2024	2023
Income tax (benefit) expense	$ (16)	$ 13	$ 17	$ 25

The Company incurred income tax (benefit) expense for the three and nine months ended September 30, 2024 and 2023 in relation to state margin tax adjustments and pre-tax income from the Company’s international subsidiaries.

Liquidity and Going Concern

As a growth company in the early commercialization stage of its lifecycle, Eos is subject to inherent risks and uncertainties associated with the development of an enterprise. In this regard, substantially all of the Company's efforts to date have been devoted to the development and manufacturing of battery energy storage systems and complementary products and services, recruitment of management and technical staff, deployment of capital to expand the Company's operations to meet customer demand and raising capital to fund the Company's development. However, as a result of these efforts, the Company has incurred significant losses and negative cash flows from operations since its inception and expects to continue to incur such losses and negative cash flows for the foreseeable future until such time that the Company can reach a scale of profitability to sustain its operations.

In order to execute its development strategy, the Company has historically relied on outside capital through the issuance of equity, debt and borrowings under financing arrangements (collectively "outside capital") to fund its cost structure. While the Company believes its recent entry into new credit facilities as discussed below has significantly improved its capital position and provides a path to sustainable operations and profitability, there can be no assurance the Company will be able to achieve such profitability or do so in a manner that does not require additional outside capital. Moreover, while the Company has historically been successful in raising outside capital, there can be no assurance the Company will be able to continue to obtain outside capital in the future or do so on terms that are acceptable to the Company, should it be needed.

As disclosed in Note 3, Credit and Securities Purchase Transaction, on June 21, 2024, the Company entered into a financing transaction with CCM Denali Debt Holdings, LP, an affiliate of Cerberus Capital Management LP (herein after referred to as "Cerberus", "Denali", "Lender", "Holder"). As a result of this transaction, Cerberus agreed to provide a $210.5 million secured multi-draw facility to be made in four installments (the "Delayed Draw Term Loan") as well as a $105.0 million revolving credit facility ("Revolving Facility"), to be made available beginning June 21, 2026, at Cerberus' sole discretion and only if the Delayed Draw Term Loan is fully funded.

As of the date the accompanying Unaudited Condensed Consolidated Financial Statements were issued (the "issuance date"), management evaluated the significance of the following negative financial conditions in accordance with Accounting Standard Codification 205-40, Going Concern:

- Since its inception, the Company has incurred significant losses and negative cash from operations in order to fund its development. During the nine months ended September 30, 2024, the Company incurred a net loss of $417.7 million, incurred negative cash flows from operations of $111.3 million and had an accumulated deficit of $1,293.6 million as of September 30, 2024.
- As of September 30, 2024, the Company had $23.0 million of unrestricted cash and cash equivalents available to fund the Company's operations and working capital of $74.1 million, which includes loan commitment assets of $58.5 million classified as current assets on the Unaudited Condensed Consolidated Balance Sheets.
- Additionally, the Company continues to progress through the Department of Energy (DOE) Loan Programs Office's (LPO) process for its Title XVII loan. In August 2023, the DOE issued a conditional commitment letter to the Company for a loan of an aggregate principal amount of up to $398.6 million through the DOE's Clean Energy Financing Program. Certain technical, legal and financial conditions must be met and due diligence to the satisfaction of the DOE must be completed before the DOE enters into definitive financing documents with the Company and funds the loan. The Company continues to work with the DOE to meet these conditions and close the loan, however, there can be no assurance that the Company will be able to secure such a loan or on terms that are acceptable to the Company.
- The Company is required to remain in compliance with certain quarterly financial covenants under its Credit Agreement. These financial covenants include, as defined in the Credit Agreement, (a) Minimum Consolidated EBITDA, (b) Minimum Consolidated Revenue, and (c) Minimum Liquidity (collectively, the "financial covenants"). As of September 30, 2024, the Company was in compliance with all financial covenants and non-financial covenants, except for the September 30, 2024 Minimum Consolidated Revenue financial covenant. The Company secured a waiver of non-compliance from Cerberus for the quarter ended September 30, 2024. The Company expects it may be unable to remain in compliance with the Minimum Consolidated Revenue financial covenant beginning December 31, 2024, absent the Company's ability to secure a waiver or amend the Credit Agreement. In the event the Company is unable to comply with the financial and the non-financial covenants as of December 31, 2024, and the Company is unable to secure another waiver, Cerberus may, at its discretion, enter into a forbearance agreement with the Company and/or exercise any and all of its existing rights and remedies, which may include, among other things, asserting its rights in the Company's assets securing the loan. Moreover, the Company's other lenders may exercise similar rights and remedies under the cross-default provisions of their respective borrowing arrangements with the Company.

- Cerberus funded the Company $30.0 million (“August Draw”), and the Company received $28.5 million, net of the 5.0% original issue discount, since the Company met the milestones for the August Draw as disclosed in Note 3, Credit and Securities Purchase Transaction. Subsequently, on November 1, 2024, Cerberus funded the Company $65 million related to the October 31, 2024 tranche (“October Draw” or “October Tranche”), and the Company received $61.75 million, which is net of the 5.0% original issue discount from the Delayed Draw Term Loan as disclosed in Note 21, Subsequent Events. In the event the Company does not achieve the remaining funding milestone, and Cerberus chooses not to continue funding, and the Company’s ongoing efforts to raise additional outside capital prove unsuccessful, the Company will be unable to meet its obligations as they become due over the next twelve months beyond the issuance date. In such an event, management will be required to seek other strategic alternatives, which may include, among others, a significant curtailment in the Company’s operations, a sale of certain of the Company’s assets, a sale of the entire Company to strategic or financial investors and/or allowing the Company to become insolvent.

These uncertainties raise substantial doubt about the Company’s ability to continue as a going concern. The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared on the basis that the Company will continue to operate as a going concern, which contemplates that the Company will be able to realize assets and settle liabilities and commitments in the normal course of business for the foreseeable future. Accordingly, the accompanying Unaudited Condensed Consolidated Financial Statements do not include any adjustments that may result from the outcome of these uncertainties.

Financing Arrangements

The Company has historically relied on outside capital to fund its cost structure and expects this reliance to continue for the foreseeable future until the Company reaches profitability through its planned revenue generating activities. During the nine months ended September 30, 2024, the Company closed on the following capital transactions:

- Under the ATM offering program, for the nine months ended September 30, 2024, the Company sold 16,627,523 shares raising proceeds of $14.1 million, net of fees paid to Cowen, at an average selling price of $0.87 per share, included in the Condensed Consolidated Statement of Shareholders' Deficit.
- The Company secured a strategic investment of up to $315.5 million from Cerberus. The investment by Cerberus is structured as a $210.5 million Delayed Draw Term Loan to be made in four installments. On June 21, 2024 the first installment of $75.0 million was funded, and on August 29, 2024, the second draw of $30.0 million was funded. Additional amounts totaling $105.5 million will be made available to the Company, subject to the achievement of certain milestones. As part of the strategic investment, a $105.0 Revolving Facility will be made available to the Company at the Lenders’ sole discretion and only if the Delayed Draw Term Loan is fully funded.
- The Company retired its existing $100.0 million Senior Secured Term Loan on favorable terms, strengthening the Company’s balance sheet. See Note 3, *Credit and Securities Purchase Transaction.*

Capital Expenditures

The Company expects capital expenditures and working capital requirements to increase as it executes its growth strategy. Total capital expenditures for the nine months ended September 30, 2024 and September 30, 2023 were $20.1 million and $21.2 million, respectively. See Note 7, *Property, Plant and Equipment* for further discussion.

Discussion and Analysis of Cash Flows

The Company relies heavily on private placement of convertible notes, term loans, equipment financing and issuance of common stock and warrants. Our short-term working capital needs are primarily related to funding of debt interest payments, repayment of debt principal, product manufacturing, research and development and general corporate expenses. The Company's long-term working capital needs are primarily related to repayment of long-term debt obligations and capital expenses for capacity expansion and maintenance, equipment upgrades and repair of equipment.

The following table summarizes the Company's cash flows from operating, investing and financing activities for the periods presented.

	Nine Months Ended September 30,		
($ in thousands)	**2024**	**2023**	**$ Change**
Net cash used in operating activities	$ (111,252)	$ (107,578)	$ (3,674)
Net cash used in investing activities	$ (20,062)	$ (21,186)	$ 1,124
Net cash provided by financing activities	$ 77,285	$ 170,607	$ (93,322)

Cash flows from operating activities:

Cash flows used in operating activities primarily comprise of costs related to research and development, manufacturing of products, project commissioning and other general and administrative activities.

Net cash used in operating activities of $111.3 million for the nine months ended September 30, 2024 was primarily driven by a net loss of $417.7 million, adjusted for non-cash items of $308.4 million, primarily related to stock compensation expense, depreciation and amortization, non-cash interest expense, gain on debt extinguishment, changes in fair value of debt, warrants and derivatives. The net cash outflows from changes in operating assets and liabilities was $1.9 million, primarily driven by an increase in inventory of $8.8 million and an increase in contract assets of $4.7 million, partially offset by an increase in contract liabilities of $5.4 million and an increase in interest payable - related party of $3.1 million.

Net cash used in operating activities was $107.6 million for the nine months ended September 30, 2023, primarily driven by a net loss of $188.3 million, adjusted for non-cash items of $89.5 million, primarily related to stock compensation expense, depreciation and amortization, non-cash interest expense, changes in fair value of warrants and derivatives and loss from the write-down of property, plant and equipment. The net cash outflows from changes in operating assets and liabilities was $8.7 million, primarily driven by decrease in accounts payable of $17.8 million and increase in vendor deposits of $4.0 million, partially offset by increase in accrued expenses of $12.3 million.

Cash flows from investing activities:

Net cash flows used in investing activities for the nine months ended September 30, 2024 and September 30, 2023 was $20.1 million and $21.2 million, respectively, for payments made for purchases of property, plant and equipment.

Cash flows from financing activities:

Net cash provided by financing activities was $77.3 million for the nine months ended September 30, 2024, primarily due to the proceeds received from the Credit and Securities Purchase Transaction of $98.6 million and from the issuance of common stock of $14.1 million. The proceeds were partially offset by payoff of the Senior Secured Term Loan of $19.9 million, debt issuance costs - related party of $12.2 million, payments on the equipment financing facility of $2.4 million and share repurchases from employees for tax withholding of $1.1 million.

Net cash provided by financing activities was $170.6 million for the nine months ended September 30, 2023, primarily due to the net proceeds received from the Yorkville Convertible Promissory Notes and AFG Convertible Notes of $48.1 million and from the issuance of common stock and warrants of $131.1 million. The proceeds were partially offset by equity issuance costs of $2.1 million, debt issuance costs related to the Yorkville Convertible Promissory Notes, AFG Convertible Notes and Senior Secured Term Loan of $4.2 million, payments on the equipment financing facility of $2.1 million and share repurchases from employees for tax withholding of $0.6 million.

Contractual Obligations

The Company has certain obligations and commitments to make future payments under contracts. As of September 30, 2024, this is composed of the following:

- Future lease payments, including interest, under non-cancellable operating and financing leases of $4.4 million. The leases expire at various dates prior to 2028.
- In accordance with the Insurer Letter Agreement, the Company shall pay to the Atlas Insurers (i) on December 31, 2024, subject to the absence of certain events of default under the Credit Agreement, $3.0 million and (ii) on June 30, 2025, subject to the absence of certain events of default under the Credit Agreement, $4.0 million.
- Principal and Interest payments related to the following debt obligations (see Note 13, *Borrowings* to our Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report):

		Future Debt Payments
Delayed Draw Term Loan - due June 2029 [(1)]		224,197
2021 Convertible Note Payable - due June 2026 [(1)]		134,261
AFG Convertible Notes - due June 2026 [(1)]		32,468
Equipment financing facility - due April 2025 and April 2026		3,591
Total	$	394,517

[(1)] As of September 30, 2024, the Company is obligated to repay future contractual interest payments for the 2021 Convertible Note and AFG Convertible Notes in-kind. The Company also has the option to repay the Delayed Draw Term Loan in-kind.

Critical Accounting Estimates ("CAE")

The Company's Unaudited Condensed Consolidated Financial Statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP). In preparing the Company's Unaudited Condensed Consolidated Financial Statements, management makes assumptions, judgments and estimates on historical experience and various other factors that management believes to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. Management regularly reevaluates assumptions, judgments and estimates. The Company's significant accounting policies are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

These should also be read with the CAE in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Warrants Liability

The April 2023 warrants, May 2023 warrants and December 2023 warrants all are valued using the Black-Scholes model at inception and on subsequent valuation dates. This model incorporates inputs such as the stock price of the Company, risk-free interest rate, volatility and time to expiration. The volatility is a significant unobservable input classified as Level 3 of the fair value hierarchy. The sensitivity of the fair value calculation to volatility could create materially different results under different conditions or using different assumptions. See Note 15, *Fair Value Measurement* to our unaudited consolidated financial statements.

Convertible Notes and Embedded derivatives

The Company estimated the fair value of the embedded conversion features in the 2021 Convertible Note and the AFG Convertible Notes using a binomial lattice model at inception and on subsequent measurement dates. This model incorporates significant inputs such as the stock price of the Company, dividend yield, risk-free interest rate, debt yield and expected volatility. The volatility and debt yield are significant unobservable inputs classified as Level 3 of the fair value hierarchy. The sensitivity of the fair value calculation to debt yield and volatility could create materially different results under different conditions or using different assumptions. See Note 15, *Fair Value Measurement* to our unaudited consolidated financial statements.

The following is a new CAE as of June 30, 2024.

*New Instruments fair valued (*see Note 15, *Fair Value Measurement)*

The fair value of the Delayed Draw Term Loan was estimated using a discounted cash flow ("DCF") method, based on the contractual cash flows discounted at a debt yield. The fair value for the SPA Warrant is estimated based on its intrinsic value, using the Eos common stock closing price adjusted by a discounted for lack of marketability ("DLOM"), less the exercise price of $0.01 for the SPA Warrant. A DLOM was applied considering the underlying shares of the SPA Warrants are unregistered. The fair value of the Contingent Warrants is estimated based on the underlying Eos common stock closing price adjusted by a DLOM and an allowance for certain redemption features using a Black-Scholes model, considering the probability of achieving certain milestones. A DLOM was applied considering the underlying shares of the Contingent Warrants are unregistered. The fair values for all these instruments are designated as level 3 measurements as they rely on significant unobservable inputs. The significant unobservable inputs for each of these instruments are detailed in Note 15, *Fair Value Measurement*), which include debt yield, DLOM, and milestones achievement expectations. The sensitivity of the fair value calculation to debt yield, DLOM, and milestones achievement expectations could create materially different results under different conditions or using different assumptions.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the Company's market risk exposures for the nine months ended September 30, 2024, as compared to those discussed in its Annual Report on Form 10-K for the year ended December 31, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation and consistent with the evaluations previously reported in prior periods, the CEO and CFO have concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2024 because of material weaknesses resulting from lack of a formalized internal control framework in accordance with the Committee of Sponsoring Organizations (COSO) Framework, inadequate segregation of duties in the financial reporting process, lack of review and approval of journal entries and a lack of management review controls.

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

In light of these material weaknesses, management performed additional analyses, reconciliations and other post-closing procedures to determine that the Company's Unaudited Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Based on this review, management concluded that the Unaudited Condensed Consolidated Financial Statements included in this report fairly present in all material respects the Company's financial condition, results of operations and cash flows for the periods presented.

Management's Remediation Plan and Status

Through September 30, 2024, our management, with the oversight of the Audit Committee of our Board of Directors, has materially designed the necessary measures to remediate the control deficiencies contributing to the material weaknesses. These remediation efforts are detailed in Item 9A, "*Controls and Procedures*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

These remediation efforts include the following:

1. Engaged external experts to complement internal resources and to provide support related to more complex applications of GAAP, tax, and internal controls. We will continue to utilize outside resources, as necessary, to supplement our internal team.

2. We designed a comprehensive internal control framework that includes a formal risk assessment process to identify and design our control activities to address all risks of material misstatement whether due to error or fraud. We developed formalized process and control documentation for all relevant areas of financial reporting, including IT general and automated controls that support financial reporting.
3. We designed a comprehensive segregation of duties framework and identified the necessary mitigating controls to compensate any applicable risk, including restricting the ability for one individual to both (i) create and post a journal entry in the general ledger and (ii) prepare and review account reconciliations.
4. We designed management review controls over each significant class of transaction, including areas considered highly complex, judgmental, and subject to management estimation. We have designed procedures to validate underlying source data and used in our financial reporting controls and the necessary IT general and automated controls to rely on the IT environment supporting our financial reporting.
5. We designed controls to identify any significant and unusual transactions, analyze, record, report, and disclose such matters.

We continue to assess risks on a continuous basis to timely identify new exposures or risk categories as business practices change and, as applicable, update our existing internal control framework to ensure that it has identified, developed and deployed the appropriate business process controls to meet the objectives and address the risks identified.

We have substantially designed the controls necessary to remediate the material weaknesses; however, we have determined that all the controls necessary to remediate the material weaknesses have not operated for a sufficient period of time to fully conclude remediation as of September 30, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other information

Item 1. Legal Proceedings

From time to time, the Company may be involved in litigation relating to claims arising out of the Company’s operations. While the outcomes of these types of claims are uncertain, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

The following is also disclosed in Note 16, *Commitments and Contingencies* to our Unaudited Condensed Consolidated Financial Statements:

Class Action Complaints

On March 8, 2023, a class action lawsuit was filed in the Court of Chancery of the State of Delaware by plaintiff Richard Delman against certain defendants including the Company’s former directors (the “Delman Defendants”). Neither the Company nor Eos Energy Storage LLC were named as a defendant but each was identified in the Complaint as a relevant non-party and the Company has indemnification obligations relating to the lawsuit. On February 1, 2024, the parties agreed to a binding Settlement Term Sheet (the “Settlement”) whereby plaintiff agreed to resolve the lawsuit in exchange for a settlement payment of $8.5 million, to be fully funded by the Company’s Directors and Officers (“D&O”) liability insurance policies subject to a retention by the Company of approximately $1.0 million consisting of the Company’s payment of legal fees related to this matter. On June 1, 2024, the parties submitted to the Court of Chancery a definitive Stipulation and Agreement of Settlement, Compromise, and Release, and related documents. On October 17, 2024, the Court of Chancery approved the proposed Settlement and the Company coordinating the settlement payment with the Company’s D&O insurers.

On August 1, 2023, a class action lawsuit was filed in the United States District Court of New Jersey by plaintiff William Houck against the Company, the Company’s Chief Executive Officer, its former Chief Financial Officer and its current Chief Financial Officer (with the Company, the “Houck Defendants”). The Complaint alleges that the defendants violated federal securities laws by making knowingly false or misleading statements about the Company’s contractual relationship with a customer and about the size of the Company’s order backlog and commercial pipeline. Defendants deny the allegations and, on February 13, 2024, moved to dismiss the Complaint. On March 5, 2024, plaintiff filed an amended complaint that dropped the Company’s former Chief Financial Officer as a defendant. On April 4, 2024, defendants filed a renewed motion to dismiss the lawsuit. The Company intends to continue to vigorously defend against this action.

Item 1A. Risk Factors

As of the date of this Quarterly Report on Form 10-Q, there have been no additional material changes to the risk factors disclosed in our annual report on Form 10-K for the fiscal year ended December 31, 2023, except as discussed below. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

If we fail to meet the covenants in Credit Agreement, we may be subject to default on the loan, which could have a material adverse effect on our business.

The Credit Agreement contains various affirmative and negative covenants applicable to the Company including, among others, as defined in the Credit Agreement (i) meeting certain Minimum Consolidated EBITDA, Minimum Consolidated Revenue, and Minimum Liquidity (the cash in accounts controlled by the Agent,) measured quarterly, (ii) reporting and information covenants including the delivery of annual, quarterly and monthly financial statements, daily cash reports, annual financial plans and forecasts with weekly progress reports and updates, (iii) monthly meetings with the Lenders and the engagement of advisors and consultants requested by the Lenders, and (iv) restrictions on business and activities including debt incurrence, asset dispositions, distributions, investments, and modifications to or terminations of various material contracts. The Credit Agreement is subject to certain events of default which can be triggered by, among other things, (i) breach of payment obligations and other obligations and representations in the Credit Agreement nor related documents, (ii) default under other debt facilities with a principal above a predetermined amount, (iii) failure to perform or comply with certain covenants in the Credit Agreement, (iv) entry into a decree or order for relief in respect of the Company or any of its subsidiaries in an involuntary case under the Bankruptcy Code of the United States or under any other debtor relief law,(v) any money judgment, writ or warrant of attachment or similar process involving in the aggregate at any time an amount in excess of $2.5 million, (vi) any order, judgement or decree entered against the Company or the any of its subsidiaries decreeing the dissolution or split up of such entity, (vii) the failure of the Common Stock to be listed on an internationally recognized stock exchange in the United States and (viii) a change of control.

Since the Company was not in compliance with the financial covenant for Minimum Consolidated Revenue for the three months ended September 30, 2024, the Company secured a waiver from Cerberus. The Company expects it may be unable to remain in compliance with the Minimum Consolidated Revenue financial covenant beginning December 31, 2024, absent the Company's ability to secure a waiver or amend the Credit Agreement. In the event the Company is unable to comply with all financial covenants when required under the Credit Agreement, and the Company is unable to secure another waiver or amendment to the Credit Agreement, Cerberus may, at its discretion, exercise any and all of its existing rights and remedies, which may include, among other things, asserting its rights in the Company's assets securing the loan, and the Lenders may no longer be required to continue funding under the Credit Agreement. There can be no assurance that the Company will be able to secure funding under the Credit Agreement or outside sources of capital in the event it fails to meet a funding milestone. Moreover, the Company's other lenders may exercise similar rights and remedies under the cross-default provisions of their respective borrowing arrangements with the Company. Any such default on the Credit Agreement could have a material adverse effect on our business.

Under the terms of the Credit Agreement, current stockholders may be subject to significant dilution, and the voting power of the currently outstanding Common Stock could be significantly diluted.

As of November 1, 2024, there were 217,904,747 shares of Common Stock issued and outstanding and an aggregate of 242,556,689 shares of Common Stock issuable upon the conversion or exercise of outstanding convertible securities, including 142,282,584 shares of Common Stock underlying the SPA Warrant and Series B Preferred Stock issued to Cerberus.

If the Purchaser funds all future draws under the Delayed Draw Term Loan and the Company meets each of the milestones under the Delayed Draw Term Loan, the Purchaser will be entitled to receive Series B Preferred Stock and/or Contingent Warrants that, when aggregated with the SPA Warrant and Series B Preferred Stock, equal 33.0% of the issued and outstanding Common Stock on a fully diluted basis. Assuming the Company issues no other securities after November 1, 2024, such Series B Preferred Stock, SPA Warrant and Contingent Warrants (such warrants, collectively, the "Warrants") would aggregate to an equivalent of 156,714,957 shares of Common Stock. If the Purchaser funds all draws under the Delayed Draw Term Loan and the Company fails to meet all of the remaining milestones under the Delayed Draw Term Loan, the Purchaser would be entitled to receive Preferred Stock and/or Contingent Warrants (depending on whether stockholder approval has been received) that, when aggregated with the SPA Warrant and Series B Preferred Stock, equal 41.0% of the issued and outstanding Common Stock on a fully diluted basis, assuming the Warrants and Series B Preferred stock were fully convertible into Common Stock. Assuming the Company issues no other securities after November 1, 2024, such Preferred Stock and Warrants would aggregate to an equivalent of 221,107,338 shares of Common Stock.

In addition, if the Company were to issue additional shares of Common Stock or securities convertible or exercisable into Common Stock or trigger anti-dilution protection under the Preferred Stock and Warrants, the Preferred Stock and Warrants may become convertible or exercisable into additional shares of Common Stock. The issuance, pursuant to the terms of the Warrants and the Series B Preferred Stock, of Common Stock will dilute the percentage ownership interest of all stockholders, could dilute the book value per share of the Common Stock and will increase the number of the Company's outstanding shares, and upon conversion or exercise would dilute the voting power of the Common Stock, which could cause the market price of our Common Stock to decrease. Depressed trading prices of our Common Stock could further impair our ability to raise sufficient capital to carry on our business.

The Company may need to seek alternative sources of capital, or risk its ability to continue operations, in the event it fails to meet a milestone under the terms of the Credit Agreement and the SPA.

Pursuant to the terms of the Credit Agreement and the SPA, the Purchaser is not required to provide funding under the Delayed Draw Term Loan in the event that the Company does not meet the necessary performance and funding milestones stipulated in the Credit Agreement. In the event the Company does not meet these milestones and the Purchaser chooses not to continue funding, the Company would need to seek alternative sources of capital, which may not be available on favorable terms or at all. If the Purchaser does not continue funding, and the Company's efforts to raise additional outside capital prove unsuccessful, management would be required to seek other strategic alternatives, which may include, among others, a significant curtailment in the Company's operations, a sale of certain of the Company's assets, a sale of the entire Company to strategic or financial investors and/or allowing the Company to become insolvent.

A substantial number of shares of the Company's Common Stock that are issuable upon the exercise or conversion of securities issuable under the Delayed Draw Term Loan and the SPA are subject to a contractual lockup.

Under the terms of the Delayed Draw Term Loan and the SPA, the holders of our securities issuable thereunder are subject to a contractual lockup that expires on June 21, 2025. The securities issuable under the Delayed Draw Term Loan and the SPA represent a substantial portion of our outstanding shares of Common Stock and, subject to stockholder approval and beneficial ownership limitations, have the potential to represent an even larger portion of our outstanding shares of common Stock, and we are obligated to register the resale of these shares of Common Stock by the holders.

Upon the effectiveness of the resale registration statement or otherwise in accordance with Rule 144 under the Securities Act and after expiration or waiver of the lock-up, the holders may sell our Common Stock in the open market or in privately negotiated transactions, which could have the effect of increasing the volatility in the trading price of our Common Stock or putting significant downward pressure on the price of our Common Stock.

The resale, or expected or potential resale, of a substantial number of shares of our Common Stock in the public market could adversely affect the market price for our Common Stock and make it more difficult for you to sell your Common Stock at times and prices that you feel are appropriate. Furthermore, because there will be a large number of shares registered pursuant to the registration statement, selling holders could continue to offer the securities covered by the registration statement for a significant period of time, the precise duration of which cannot be predicted. Accordingly, the adverse market and price pressures resulting from an offering pursuant to a registration statement may continue for an extended period of time.

Further, sales of our Common Stock upon expected expiration of resale restrictions could encourage short sales by market participants. Generally, short selling means selling a security, contract or commodity not owned by the seller. The seller is committed to eventually purchase the financial instrument previously sold. Short sales are used to capitalize on an expected decline in the security's price. As such, short sales of our Common Stock could have a tendency to depress the price of our Common Stock, which could further increase the potential for short sales.

We cannot predict the size of future issuances or sales of our Common Stock or the effect, if any, that future issuances and sales of our Common Stock will have on the market price of our Common Stock. Sales of substantial amounts of our Common Stock, including issuances made in the ordinary course of the Company's business, or the perception that such sales could occur, may materially and adversely affect prevailing market prices of our Common Stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

(a) Exhibits

		Incorporated by Reference			
Exhibit Number	**Description of Document**	**Schedule/Form**	**File Number**	**Exhibits**	**Filing Date**
3.1	Third Amended and Restated Certificate of Incorporation of the Company, as amended	Form 10-K	File No. 001-39291	3.1	February 28, 2023
3.2	Certificate of Amendment to the Third Amended and Restated Certificate of Incorporation of the Company, as amended	Form 10-Q	File No. 001-39291	3.2	May 14, 2024
3.3	Second Amended and Restated Bylaws of the Company	Form 8-K	File No. 001-39291	3.1	May 19, 2022
3.4	Series A-1 Preferred Stock Certificate of Designation	Form 8-K	File No. 001-39291	3.1	June 24, 2024
3.5	Series A-2 Preferred Stock Certificate of Designation.	Form 8-K	File No. 001-39291	3.1	August 30, 2024
3.6	Certificate of Designation of Series B-1 Non-Voting Convertible Preferred Stock.	Form 8-K	File No. 001-39291	3.1	September 12, 2024
3.7	Certificate of Designation of Series B-2 Non-Voting Convertible Preferred Stock.	Form 8-K	File No. 001-39291	3.2	September 12, 2024
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

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* Filed herewith.

SIGNATURES

Pursuant to the requirements 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.

EOS ENERGY ENTERPRISES, INC.

Date: November 5, 2024	By:	/s/ Joseph Mastrangelo
	Name:	Joseph Mastrangelo
	Title:	Chief Executive Officer and Director (Principal Executive Officer)

Date: November 5, 2024	By:	/s/ Nathan Kroeker
	Name:	Nathan Kroeker
	Title:	Chief Financial Officer (Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph Mastrangelo, certify that:

1. I have reviewed this quarterly report on Form 10-Q (the "Report") of Eos Energy Enterprises, Inc. (the "Registrant");

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

d. Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 5, 2024

By: /s/ Joseph Mastrangelo

Joseph Mastrangelo
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nathan Kroeker, certify that:

1. I have reviewed this quarterly report on Form 10-Q (the "Report") of Eos Energy Enterprises, Inc. (the Registrant");

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

d. Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 5, 2024

By: /s/ Nathan Kroeker
Nathan Kroeker
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Eos Energy Enterprises, Inc. (the "Registrant"), for the quarterly period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Mastrangelo, hereby certify, in the capacity and on the date indicated below, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 5, 2024

By: /s/ Joseph Mastrangelo
Joseph Mastrangelo
Chief Executive Officer
(Principal Executive Officer)

In connection with the Quarterly Report on Form 10-Q of Eos Energy Enterprises, Inc. (the "Registrant"), for the quarterly period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nathan Kroeker, hereby certify, in the capacity and on the date indicated below, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 5, 2024

By: /s/ Nathan Kroeker
Nathan Kroeker
Chief Financial Officer
(Principal Financial Officer)