REFINITIV

DELTA REPORT

10-Q

STEM, INC.

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1928
CHANGES	267
DELETIONS	827
ADDITIONS	834

REFINITIV

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 June 30, 2024 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 ________

STEM, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-39455**	**85-1972187**
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(IRS Employer Identification No.)

4 Embarcadero Ctr., Suite 710, San Francisco, California 94111

(Address of principal executive offices, including zip code)

1-**877-374-7836**

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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	**STEM**	**New York Stock Exchange**

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

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

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

Large accelerated filer	☒	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 Exchange Act). Yes ☐ No ☒

Class	**Outstanding as of July 30, 2024 October 23, 2024**
Common Stock, $0.0001 par value per share	162,626,235 162,754,034

STEM, INC.
Quarterly Report on Form 10-Q
For the Period Ended June 30, 2024 September 30, 2024

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Part I - Financial Information

ITEM 1. FINANCIAL STATEMENTS

STEM, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share and per share amounts)

	June 30, 2024	December 31, 2023
	September 30, 2024	December 31, 2023
ASSETS		
ASSETS		
ASSETS		
Current assets:		
Current assets:		
Current assets:		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		

Short-term investments
Accounts receivable, net of allowances of $4,155 and $4,904 as of June 30, 2024 and December 31, 2023, respectively
Accounts receivable, net of allowances of $2,341 and $4,904 as of September 30, 2024 and December 31, 2023, respectively
Inventory
Deferred costs with suppliers
Other current assets
Total current assets
Energy storage systems, net
Contract origination costs, net
Goodwill
Intangible assets, net
Operating lease right-of-use assets
Other noncurrent assets
Total assets
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)
Current liabilities:
Current liabilities:
Current liabilities:
Accounts payable
Accounts payable
Accounts payable
Accrued liabilities
Accrued payroll
Financing obligation, current portion
Deferred revenue, current portion
Other current liabilities
Total current liabilities
Deferred revenue, noncurrent
Asset retirement obligation
Convertible notes, noncurrent
Convertible notes, noncurrent
Convertible notes, noncurrent
Financing obligation, noncurrent
Lease liabilities, noncurrent
Other liabilities
Total liabilities

Commitments and contingencies (Note 12)	Commitments and contingencies (Note 12)	Commitments and contingencies (Note 12)

Stockholders' equity (deficit):
Preferred stock, $0.0001 par value; 1,000,000 shares authorized as of June 30, 2024 and December 31, 2023; zero shares issued and outstanding as of June 30, 2024 and December 31, 2023
Preferred stock, $0.0001 par value; 1,000,000 shares authorized as of June 30, 2024 and December 31, 2023; zero shares issued and outstanding as of June 30, 2024 and December 31, 2023
Preferred stock, $0.0001 par value; 1,000,000 shares authorized as of June 30, 2024 and December 31, 2023; zero shares issued and outstanding as of June 30, 2024 and December 31, 2023
Common stock, $0.0001 par value; 500,000,000 shares authorized as of June 30, 2024 and December 31, 2023; 162,587,526 and 155,932,880 issued and outstanding as of June 30, 2024 and December 31, 2023, respectively
Preferred stock, $0.0001 par value; 1,000,000 shares authorized as of September 30, 2024 and December 31, 2023; zero shares issued and outstanding as of September 30, 2024 and December 31, 2023
Preferred stock, $0.0001 par value; 1,000,000 shares authorized as of September 30, 2024 and December 31, 2023; zero shares issued and outstanding as of September 30, 2024 and December 31, 2023
Preferred stock, $0.0001 par value; 1,000,000 shares authorized as of September 30, 2024 and December 31, 2023; zero shares issued and outstanding as of September 30, 2024 and December 31, 2023
Common stock, $0.0001 par value; 500,000,000 shares authorized as of September 30, 2024 and December 31, 2023; 162,714,738 and 155,932,880 issued and outstanding as of September 30, 2024 and December 31, 2023, respectively
Additional paid-in capital
Accumulated other comprehensive income (loss)

Accumulated deficit	
Total Stem's stockholders' equity (deficit)	
Non-controlling interests	
Total stockholders' equity (deficit)	
Total liabilities and stockholders' equity (deficit)	

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

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except share and per share amounts)

			Three Months Ended June 30,	Six Months Ended June 30,							
			Three Months Ended September 30,	Nine Months Ended September 30,							
	2024	2024	2023	2024			2023	2024	2023	2024	2023
Revenue											
Services and other revenue											
Services and other revenue											
Services and other revenue		$15,103	$16,360	$29,943	$31,033	$	22,143	$ 16,597	$ 52,086	$ 47,630	
Hardware revenue	Hardware revenue	18,896	76,586	29,525	129,318	Hardware revenue	7,148	117,143	36,673	246,461	
Total revenue	Total revenue	33,999	92,946	59,468	160,351	Total revenue	29,291	133,740	88,759	294,091	
Cost of Revenue											
Cost of services and other revenue											
Cost of services and other revenue											
Cost of services and other revenue											
Cost of hardware revenue											
Total cost of revenue											
Gross profit (loss)											
Operating expenses:											
Sales and marketing											
Sales and marketing											
Sales and marketing											
Research and development											
General and administrative											
Impairment of parent company guarantees											
Impairment of goodwill											
Total operating expenses											
Loss from operations											
Other (expense) income, net:											
Interest expense, net											
Interest expense, net											
Interest expense, net											
Interest expense											

Interest expense
Interest expense
Gain on extinguishment of debt, net
Change in fair value of derivative liability
Other income, net
Total other (expense) income, net
(Loss) income before provision for income taxes
Provision for income taxes
Net (loss) income
Loss before (provision for) benefit from income taxes
(Provision for) benefit from income taxes
Net loss
Net (loss) income per share attributable to common stockholders, basic
Net loss per share attributable to common stockholders, basic and diluted
Net (loss) income per share attributable to common stockholders, basic
Net loss per share attributable to common stockholders, basic and diluted
Net (loss) income per share attributable to common stockholders, basic
Net loss per share attributable to common stockholders, diluted
Net loss per share attributable to common stockholders, basic and diluted
Numerator used to compute net (loss) income per share:
Numerator used to compute net (loss) income per share:
Numerator used to compute net (loss) income per share:
Net (loss) income attributable to Stem common stockholders, basic
Net (loss) income attributable to Stem common stockholders, basic
Net (loss) income attributable to Stem common stockholders, basic
Net loss attributable to Stem common stockholders, diluted (Note 10)
Weighted-average shares used in computing net (loss) income per share to common stockholders, basic
Weighted-average shares used in computing net (loss) income per share to common stockholders, basic
Weighted-average shares used in computing net (loss) income per share to common stockholders, basic
Weighted-average shares used in computing net loss per share to common stockholders, diluted
Weighted-average shares used in computing net loss per share to common stockholders, basic and diluted
Weighted-average shares used in computing net loss per share to common stockholders, basic and diluted
Weighted-average shares used in computing net loss per share to common stockholders, basic and diluted

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

STEM, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME LOSS

(UNAUDITED)

(in thousands)

	Three Months Ended June 30,			Six Months Ended June 30,					
	Three Months Ended September 30,			Nine Months Ended September 30,					
	2024	2024	2023	2024	2023	2024	2023	2024	2023
Net (loss) income									
Net loss									
Other comprehensive loss:									
Unrealized gain on available-for-sale securities									
Unrealized gain on available-for-sale securities									
Unrealized gain on available-for-sale securities									
Foreign currency translation adjustment									
Total other comprehensive (loss) income									
Total other comprehensive loss									

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

STEM, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(UNAUDITED)

(in thousands, except share amounts)

	Common Stock Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Non-controlling Interests	Total Stockholders' Equity (Deficit)	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Non-controlling Interests	Total Stockholders' Equity (Deficit)
Balance as of January 1, 2024													
Balance as of January 1, 2024													
Balance as of January 1, 2024													
Issuance of common stock upon release of restricted stock units													
Issuance of common stock upon release of restricted stock units													
Issuance of common stock upon release of restricted stock units													
Issuance of fully vested restricted stock units for employee bonuses (Note 9)													
Issuance of fully vested restricted stock units for employee bonuses (Note 9)													
Issuance of fully vested restricted stock units for employee bonuses (Note 9)													
Stock-based compensation													
Unrealized gain on available-for-sale securities													

Foreign currency translation
adjustments
Net loss
Net loss
Net loss
Balance as of March 31, 2024
Issuance of common stock upon release of restricted stock units
Issuance of common stock upon release of restricted stock units
Issuance of common stock upon release of restricted stock units
Stock-based compensation
Stock-based compensation
Stock-based compensation
Foreign currency translation adjustments
Foreign currency translation adjustments
Foreign currency translation adjustments
Net loss
Net loss
Net loss
Balance as of June 30, 2024
Issuance of common stock upon release of restricted stock units
Issuance of common stock upon release of restricted stock units
Issuance of common stock upon release of restricted stock units
Stock-based compensation
Stock-based compensation
Stock-based compensation
Foreign currency translation adjustments
Foreign currency translation adjustments
Foreign currency translation adjustments
Contributions from non-controlling interests
Net loss
Balance as of September 30, 2024

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Non-controlling Interests	Total Stockholders' Equity
	Shares	Amount					
Balance as of January 1, 2023	154,540,197	$ 15	$ 1,185,364	$ (1,672)	$ (632,081)	$ 541	$ 552,167
Stock option exercises, net of statutory tax withholdings	65,045	—	149	—	—	—	149
Issuance of common stock upon release of restricted stock units	903,061	1	—	—	—	—	1
Stock-based compensation	—	—	8,108	—	—	—	8,108
Unrealized gain on available-for-sale securities	—	—	—	1,543	—	—	1,543
Foreign currency translation adjustments	—	—	—	127	—	—	127
Redemption of non-controlling interests	—	—	—	—	—	(72)	(72)
Net loss	—	—	—	—	(44,778)	—	(44,778)
Balance as of March 31, 2023	155,508,303	16	1,193,621	(2)	(676,859)	469	517,245
Stock option exercises, net of statutory tax withholdings	39,528	—	80	—	—	—	80

Issuance of common stock upon release of restricted stock units	248,580	—	—	—	—	—	—
Stock-based compensation	—	—	10,817	—	—	—	10,817
Purchase of capped call options (Note 8)	—	—	(27,840)	—	—	—	(27,840)
Unrealized gain on available-for-sale securities	—	—	—	47	—	—	47
Foreign currency translation adjustments	—	—	—	(133)	—	—	(133)
Contributions from non-controlling interests	—	—	—	—	—	6	6
Net income	—	—	—	—	19,122	—	19,122
June 30, 2023	155,796,411	$ 16	$ 1,176,678	$ (88)	$ (657,737)	$ 475	$ 519,344

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

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive		Non-controlling	Total Stockholders'
	Shares	Amount	Capital	(Loss) Income	Accumulated Deficit	Interests	Equity
Balance as of January 1, 2023	154,540,197	$ 15	$ 1,185,364	$ (1,672)	$ (632,081)	$ 541	$ 552,167
Stock option exercises, net of statutory tax withholdings	65,045	—	149	—	—	—	149
Issuance of common stock upon release of restricted stock units	903,061	1	—	—	—	—	1
Stock-based compensation	—	—	8,108	—	—	—	8,108
Unrealized gain on available-for-sale securities	—	—	—	1,543	—	—	1,543
Foreign currency translation adjustments	—	—	—	127	—	—	127
Redemption of non-controlling interests	—	—	—	—	—	(72)	(72)
Net loss	—	—	—	—	(44,778)	—	(44,778)
Balance as of March 31, 2023	155,508,303	16	1,193,621	(2)	(676,859)	469	517,245
Stock option exercises, net of statutory tax withholdings	39,528	—	80	—	—	—	80
Issuance of common stock upon release of restricted stock units	248,580	—	—	—	—	—	—
Stock-based compensation	—	—	10,817	—	—	—	10,817
Purchase of capped call options (Note 8)	—	—	(27,840)	—	—	—	(27,840)
Unrealized gain on available-for-sale securities	—	—	—	47	—	—	47
Foreign currency translation adjustments	—	—	—	(133)	—	—	(133)
Contributions from non-controlling interests	—	—	—	—	—	6	6
Net income	—	—	—	—	19,122	—	19,122
June 30, 2023	155,796,411	$ 16	$ 1,176,678	$ (88)	$ (657,737)	$ 475	$ 519,344
Stock option exercises, net of statutory tax withholdings	12,144	—	28	—	—	—	28
Issuance of common stock upon release of restricted stock units	74,533	—	—	—	—	—	—
Stock-based compensation	—	—	10,922	—	—	—	10,922
Unrealized gain on available-for-sale securities	—	—	—	60	—	—	60
Foreign currency translation adjustments	—	—	—	51	—	—	51
Contributions from non-controlling interests	—	—	—	—	—	10	10
Net loss	—	—	—	—	(77,072)	—	(77,072)
September 30, 2023	155,883,088	$ 16	$ 1,187,628	$ 23	$ (734,809)	$ 485	$ 453,343

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

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2024	2023
OPERATING ACTIVITIES		
Net loss	$ (654,577)	$ (25,656)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	22,217	22,376
Non-cash interest expense, including interest expenses associated with debt issuance costs	984	1,586
Stock-based compensation	15,184	17,122
Change in fair value of derivative liability	(1,477)	2,576
Non-cash lease expense	1,533	1,406
Accretion of asset retirement obligations	118	120
Impairment loss of energy storage systems	102	2,069
Impairment loss of project assets	390	122
Impairment loss of right-of-use assets	2,096	—
Impairment of goodwill	547,152	—
Net accretion of discount on investments	(29)	(1,300)
Income tax benefit from release of valuation allowance	—	(335)
Provision for accounts receivable allowance	(1,462)	1,734
Net loss on investments	—	1,561
Gain on extinguishment of debt, net	—	(59,121)
Other	(138)	(680)
Changes in operating assets and liabilities:		
Accounts receivable	97,815	(72,187)
Inventory	(6,548)	(137,149)
Deferred costs with suppliers	430	28,759
Other assets	719	(17,816)
Contract origination costs, net	(683)	(2,256)
Project assets	(10,796)	(2,834)
Accounts payable	(14,923)	19,049
Accrued expenses and other liabilities	(13,339)	(35,087)
Deferred revenue	4,270	56,043
Lease liabilities	(1,545)	(1,341)
Net cash used in operating activities	(12,507)	(201,239)
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired	—	(1,847)
Purchase of available-for-sale investments	—	(58,034)
Proceeds from maturities of available-for-sale investments	8,250	84,750
Proceeds from sales of available-for-sale investments	—	73,917
Purchase of energy storage systems	—	(2,640)
Capital expenditures on internally-developed software	(6,608)	(7,388)
Purchase of property and equipment	(177)	(289)
Net cash provided by investing activities	1,465	88,469
FINANCING ACTIVITIES		
Proceeds from exercise of stock options and warrants	—	229
Repayment of financing obligations	(4,185)	(2,587)
Proceeds from issuance of convertible notes, net of issuance costs of $0 and $7,601 for the six months ended June 30, 2024 and 2023, respectively	—	232,399
Repayment of convertible notes	—	(99,754)
Purchase of capped call options	—	(27,840)
Redemption of investment from non-controlling interests, net	—	(67)
Repayment of notes payable	—	(2,101)

Net cash (used in) provided by financing activities	(4,185)	100,279
Effect of exchange rate changes on cash, cash equivalents and restricted cash	187	(7)
Net increase in cash, cash equivalents and restricted cash	(15,040)	(12,498)
Cash, cash equivalents and restricted cash, beginning of year	106,475	87,903
Cash, cash equivalents and restricted cash, end of period	$ 91,435	$ 75,405

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

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 8,408	$ 2,588
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Change in asset retirement costs and asset retirement obligation	$ 48	$ 302
Purchases of energy storage systems in accounts payable	$ 251	$ 388
Right-of-use asset obtained in exchange for lease liability	$ 2,513	$ 2,782
Stock-based compensation capitalized to internal-use software	$ 1,736	$ 1,803
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH WITHIN THE UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS TO THE AMOUNTS SHOWN IN THE STATEMENTS OF CASH FLOWS ABOVE:		
Cash and cash equivalents	$ 89,649	$ 75,405
Restricted cash included in other noncurrent assets	1,786	—
Total cash, cash equivalents, and restricted cash	$ 91,435	$ 75,405

	Nine Months Ended September 30,	
	2024	**2023**
OPERATING ACTIVITIES		
Net loss	$ (802,877)	$ (102,728)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	33,227	33,593
Non-cash interest expense, including interest expenses associated with debt issuance costs	1,565	1,969
Stock-based compensation	21,716	28,320
Change in fair value of derivative liability	(1,477)	7,731
Non-cash lease expense	2,251	2,162
Accretion of asset retirement obligations	177	178
Impairment loss of energy storage systems	357	2,347
Impairment loss of project assets	641	158
Impairment loss of right-of-use assets	2,096	—
Impairment of parent company guarantees	104,134	—
Impairment of goodwill	547,152	—
Net accretion of discount on investments	(29)	(1,672)
Income tax benefit from release of valuation allowance	—	(335)
(Recovery of) provision for credit losses on accounts receivable	(3,229)	1,754
Net loss on investments	—	1,561
Gain on extinguishment of debt, net	—	(59,121)
Other	(157)	(831)
Changes in operating assets and liabilities:		
Accounts receivable	106,920	(67,029)
Inventory	(7,285)	(57,282)
Deferred costs with suppliers	5,318	30,579

Other assets	7,129	(17,947)
Contract origination costs, net	(927)	(4,184)
Project assets	(7,382)	(2,827)
Accounts payable	(30,675)	1,771
Accrued expenses and other liabilities	(19,935)	(28,910)
Deferred revenue	21,531	27,630
Lease liabilities	(2,181)	(2,135)
Net cash used in operating activities	(21,940)	(205,248)
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired	—	(1,847)
Purchase of available-for-sale investments	—	(58,034)
Proceeds from maturities of available-for-sale investments	8,250	119,650
Proceeds from sales of available-for-sale investments	—	73,917
Purchase of energy storage systems	—	(2,912)
Capital expenditures on internally-developed software	(8,868)	(10,123)
Purchase of property and equipment	(228)	(395)
Net cash (used in) provided by investing activities	(846)	120,256
FINANCING ACTIVITIES		
Proceeds from exercise of stock options and warrants	—	257
Repayment of financing obligations	(6,998)	(7,766)
Proceeds from issuance of convertible notes, net of issuance costs of $0 and $7,601 for the nine months ended September 30, 2024 and 2023, respectively	—	232,399
Repayment of convertible notes	—	(99,754)
Purchase of capped call options	—	(27,840)
Investment from (redemption of) non-controlling interests, net	56	(56)
Repayment of notes payable	—	(2,101)
Net cash (used in) provided by financing activities	(6,942)	95,139
Effect of exchange rate changes on cash, cash equivalents and restricted cash	403	114
Net (decrease) increase in cash, cash equivalents and restricted cash	(29,325)	10,261
Cash, cash equivalents and restricted cash, beginning of year	106,475	87,903
Cash, cash equivalents and restricted cash, end of period	$ 77,150	$ 98,164

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

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 9,387	$ 4,070
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Change in asset retirement costs and asset retirement obligation	$ 79	$ 354
Purchases of energy storage systems in accounts payable	$ 255	$ 78
Right-of-use asset obtained in exchange for lease liability	$ 4,166	$ 2,782
Stock-based compensation capitalized to internal-use software	$ 2,425	$ 3,033
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH WITHIN THE UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS TO THE AMOUNTS SHOWN IN THE STATEMENTS OF CASH FLOWS ABOVE:		
Cash and cash equivalents	$ 75,364	$ 97,064
Restricted cash included in other noncurrent assets	1,786	1,100
Total cash, cash equivalents, and restricted cash	$ 77,150	$ 98,164

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

1. BUSINESS

Description of the Business

Stem, Inc. ("Stem," the "Company," "we," "us," or "our") is a global leader in artificial intelligence ("AI")-driven software and services that enable its customers to plan, deploy, and operate clean energy assets. We offer a comprehensive suite of solutions that transform how solar and services. We maintain one of the world's largest digitally connected, intelligent, renewable energy networks, providing customers with (i) energy storage projects are developed, built, and operated, including (i) an integrated suite of software and edge products, and (ii) full-lifecycle energy services from a team of experts. More than 16,000 global customers rely on Stem to maximize the value of their clean energy projects and portfolios.

Our suite of software applications is enabled by our AI platform, Athena®. Each application serves a different purpose in helping customers to maximize the value of their energy assets. Our asset performance management (APM) software, PowerTrack™ APM, is a unified solution that empowers asset owners and operators to efficiently manage complex storage, solar, and hybrid portfolios for optimal performance. Our Energy Management System (EMS) software, PowerCore™ EMS, is a technology-agnostic, edge-to-cloud integration solution for monitoring, managing, and controlling energy storage and hybrid systems for maximum performance and reliability. Our energy optimization software, PowerBidder™ Pro, combines Athena's wholesale market bidding engine with a web application, allowing users to leverage Athena AI and automation with our experience as a trusted operator. Our commercial- and utility-scale edge hardware sourced from leading, global battery solutions are original equipment manufacturers ("OEMs"), that -agnostic devices used to connect customers' solar and storage assets to our software applications in a unified view.

To help our customers achieve long-term performance and profitability goals for their energy projects, we deliver through our partners, including developers, distributors also provide advisory services spanning development and engineering, procurement and construction ("EPC") firms, (ii) edge hardware to aid in integration, and performance and operation services. In the collection early stages of site data and the real-time operation and control of the site plus other optional equipment, and (iii) an ongoing software platform, Athena®, and services to operate and manage the performance of standalone energy storage, integrated solar plus storage systems, and solar assets. In addition, in all of the markets where we project planning, our experts help manage lay a solid foundation for our customers' clean solar and storage projects by guiding the design and ensuring informed decision-making. During the building stage, we provide guidance for hardware procurement and integration for timely deployment. After assets are operational, we enable optimal economic and technical returns with managed energy assets, we have agreements to use the Athena platform to participate in such markets services like trading and to share the revenue from such bidding strategies, wholesale market participation.

We deliver our battery hardware participation, performance reporting, system warranties, and software-enabled services to customers through our Athena platform. The Company's hardware and recurring software-enabled services mitigate customer energy costs through services such as time-of-use and demand charge management optimization and by aggregating the dispatch of energy through a network of virtual power plants. The network created by the Company's growing customer base increases grid resilience and reliability through the real-time processing of market-based demand signals, energy prices, and other factors in connection with the deployment of renewable energy resources to such customers. Additionally, the Company's clean energy solutions are designed to support renewable energy generation by helping to alleviate grid intermittency issues, thereby reducing customer dependence on traditional, fossil fuel resources.

The Company's Athena PowerTrack application provides a vertically integrated solution that incorporates on-site power monitoring equipment that aggregates and communicates data to enable remote control of solar generation assets. PowerTrack provides direct access to individual site performance to measure and benchmark expected energy production, maximizing asset value for the Company's customers.

From time to time, the Company, through an indirect wholly-owned development subsidiary ("DevCo") will enter into strategic joint ventures (each a "DevCo JV") with qualified third parties for the development of select renewable energy projects ("DevCo Projects"). In this structure, DevCo forms a new DevCo JV entity as the majority owner, with the developer as the minority owner. The purpose of the DevCo JV is to develop and sell DevCo Projects and secure Company hardware and software services for those projects. In some cases, the Company will make development capital contributions to fund project development, and recovers those capital contributions plus a fee upon the sale of the applicable project. This business model is intended to allow the Company to advance development capital to key partners in strategic markets and secure hardware upfront, in order to generate higher-margin software and services and other revenue via exclusive long-term services contracts under the DevCo Projects. more.

The Company operated as Rollins Road Acquisition Company (f/k/a Stem, Inc.) prior to the Merger with Star Peak Transition Corp. ("STPK"), an entity that was then listed on the New York Stock Exchange under the trade symbol "STPK," and STPK Merger Sub Corp., a Delaware corporation and wholly-owned subsidiary of STPK ("Merger Sub"), providing for, among other things, and subject to the conditions therein, the combination of the Company and STPK pursuant to the merger of Merger Sub with and into the Company, with the Company continuing as the surviving entity (the "Merger"). Stem, Inc. was incorporated on March 16, 2009 in the State of Delaware and is headquartered in San Francisco, California.

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Liquidity

As of June 30, 2024 September 30, 2024, we had cash and cash equivalents of $89.6 million $75.4 million, an accumulated deficit of $1,427.1 million $1,575.4 million, net accounts receivable of $206.4 million $92.7 million, and working capital, which we define as current assets less current liabilities, of $143.3 million $20.5 million. During the six nine months ended June 30, 2024 September 30, 2024, we incurred a net loss of $654.6 million $802.9 million and had negative cash flows from operating activities of $12.5 million $21.9 million. As of June 30, 2024 September 30, 2024, our principal sources of liquidity were cash and cash equivalents totaling $89.6 million $75.4 million, which were held for working capital purposes and for investment growth opportunities. As of June 30, 2024 September 30, 2024, we believe that our cash position, as well as expected collections from accounts receivable, is sufficient to meet capital and liquidity requirements for at least the next 12 months from the date of this Quarterly Report on Form 10-Q. months.

Our business prospects are subject to various risks, expenses, and uncertainties, including those discussed in Part II. Item 1A. “Risk Factors” in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 and in Part I. Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. The attainment of profitable operations is dependent upon future events, including successfully transitioning to a new software and services-oriented strategy, the successful delivery of AI-enabled software and edge device capabilities to our customers, regaining and maintaining compliance with the New York Stock Exchange’s continuing listing standards, securing new customers and maintaining current ones, securing and maintaining adequate supplier relationships, building our customer base, successfully executing our business and marketing strategy, and hiring and retaining appropriate personnel. Failure to generate sufficient revenues, achieve planned gross margins and operating profitability, control operating costs, or secure additional funding may require us to modify, delay or abandon some of our planned future expansion or development, or to otherwise enact operating cost reductions available to management, which could have a material adverse effect on our business, operating results and financial condition.

Supply Chain Constraints and Risk

We have in the past faced shortages and shipping delays affecting the supply of inverters, enclosures, battery modules and associated component parts for inverters and battery energy storage systems available for purchase. These shortages and delays were due in part to the macroeconomic, geopolitical and business environment, including the effects of global inflationary pressures and interest rates, general economic slowdown or a recession, changes in monetary policy, instability in financial institutions, potential import tariffs, geopolitical pressures, including the armed conflicts between Russia and Ukraine and in the Gaza Strip and nearby areas, as well as tensions between China and the United States and unknown effects of current and future trade regulations. We cannot predict the full effects the macroeconomic, geopolitical and business environment will have on our business, cash flows, liquidity, financial condition and results of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X, assuming the Company will continue as a going concern. Accordingly, the consolidated balance sheet at December 31, 2023 has been derived from the audited financial statements at that date, but certain notes or other information that are normally required by GAAP have been omitted if they substantially duplicate the disclosures contained in the Company’s annual audited consolidated financial statements. In the opinion of the Company’s management, all normal and recurring adjustments considered necessary for a fair statement of the results for the interim period presented have been included in the accompanying unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2023. Operating results for the three and six nine months ended June 30, 2024 September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024 or for any other future interim period or year.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and consolidated variable interest entities (“VIEs”). The Company presents non-controlling interests within the equity section of its unaudited condensed consolidated balance sheets, and the amount of consolidated net (loss) income loss that is attributable to the Company and the non-controlling interest in its unaudited condensed consolidated statements of operations. All intercompany balances and transactions have been eliminated in consolidation.

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Variable Interest Entities

The Company forms special purpose entities (“SPEs”), some of which are VIEs, with its investors in the ordinary course of business to facilitate the funding and monetization of its energy storage systems. A legal entity is considered a VIE if it has either a total equity investment that is insufficient to finance its operations without additional subordinated financial support or whose equity holders lack the characteristics of a controlling financial interest. The Company’s variable interests arise from contractual, ownership, or other monetary interests in the entity. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity; however, a controlling financial interest may also exist in entities, such as VIEs, through arrangements that do not involve controlling voting interests.

The Company consolidates a VIE if it is deemed to be the primary beneficiary. The Company determines it is the primary beneficiary if it has the power to direct the activities that most significantly impact the VIEs’ economic performance and has the obligation to absorb losses or has the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company evaluates its relationships with its VIEs on an ongoing basis to determine whether it is the primary beneficiary.

Beginning in January 2022, the Company formed entered into strategic joint ventures through indirect wholly-owned development subsidiaries of the Company (“DevCo JVs JVs”) with the purpose of originating potential battery storage facility projects in specific locations and conducting early-stage planning and development activities. The Company determined that the DevCo JVs are VIEs, as they lack sufficient equity to finance their activities without additional financial support. The Company determined that it has both (1) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and (2) the obligation to absorb losses or receive benefits from the VIE that could potentially be significant. Accordingly, the Company has determined that it is the primary beneficiary of the DevCo JVs, and as a result, the DevCo JVs’ operating results, assets and liabilities are consolidated by the Company, with third party minority owners’ share presented as noncontrolling interest. The Company applied the hypothetical liquidation at book value method in allocating recorded net income (loss) to

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each owner based on the change in the reporting period, of the amount of net assets of the entity to which each owner would be entitled to under the governing contracts in a liquidation scenario.

The following table summarizes the carrying values of the assets and liabilities of the DevCo JVs that are consolidated by the Company as of June 30, 2024 September 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
	September 30, 2024	**December 31, 2023**
Assets		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Other current assets		
Other noncurrent assets		
Total assets		
Liabilities		
Accounts payable		
Accounts payable		
Accounts payable		
Other current liabilities		
Total liabilities		

The Company did not make any material capital investment contributions during the six nine months ended June 30, 2024 September 30, 2024. For the six nine months ended June 30, 2023 September 30, 2023, the Company contributed approximately $0.1 million $6.6 million in capital investments for hardware purchases. The net income from the DevCo JVs was immaterial during both the six three and nine months ended June 30, 2024 September 30, 2024, and June 30, 2023. was $1.2 million and $1.4 million during the three and nine months ended September 30, 2023, respectively.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable. Actual results could differ from those estimates and such differences could be material to the financial position and results of operations.

Significant estimates and assumptions reflected in these unaudited condensed consolidated financial statements include, but are not limited to, depreciable life of energy storage systems; estimates of transaction price with variable consideration; the amortization of acquired intangibles; the amortization of financing obligations; deferred commissions and contract fulfillment costs; the valuation of energy storage systems, finite-lived intangible assets, internally developed software, and asset retirement

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obligations; and the fair value of equity instruments, equity-based instruments, derivative liability, accruals related to sales tax liabilities, and the fair value of assets acquired and liabilities assumed in a business combination; and the impairment of goodwill.

Segment Information

Operating segments are defined as components of an entity for which discrete financial information is available that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's Interim Chief Executive Officer is the CODM. The CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. As such, management has determined that the Company operates as one operating segment that is focused exclusively on innovative technology services that transform the way energy is distributed and consumed. Net assets outside of the U.S. were less than 10% of total net assets as of June 30, 2024 September 30, 2024 and December 31, 2023.

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Concentration of Credit Risk and Other Uncertainties

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents and accounts receivable. The Company's cash balances are primarily invested in money market funds or on deposit at high credit quality financial institutions in the U.S. The Company's cash and cash equivalents are held at financial institutions where account balances may at times exceed federally insured limits. Management believes the Company is not exposed to significant credit risk due to the financial strength of the depository institution in which the cash is held. The Company has no financial instruments with off-balance sheet risk of loss.

At times, the Company may be subject to a concentration of credit risk in relation to certain customers due to the purchase of large energy storage systems made by such customers. The Company routinely assesses the creditworthiness of its customers. The Company has wrote-off $104.1 million of billed and unbilled accounts receivables that were deemed to be uncollectible (See Note 3—*Revenue*). The Company did not experienced experience material losses related to receivables from individual customers, or groups of customers during the six nine months ended June 30, 2024 and 2023 September 30, 2023. The Company does not require collateral. Due to these factors, no additional credit risk beyond amounts provided for credit losses is believed by management to be probable in the Company's accounts receivable.

The net book value of unbilled receivables, current are $98.9 million $7.1 million and $161.3 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. Unbilled receivables, current are included in accounts receivable, net. The net book value of unbilled receivables, noncurrent are $15.9 million $6.0 million and $18.7 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. Unbilled receivables, noncurrent are included in other noncurrent assets.

Significant Customers

A significant customer represents 10% or more of the Company's total revenue or accounts receivable, net balance at each reporting date. For each significant customer, revenue as a percentage of total revenue and accounts receivable as a percentage of total accounts receivable are as follows:

	Accounts Receivable	Accounts Receivable	Revenue				Accounts Receivable		Revenue		
	June 30,	December 31,	Three Months Ended June 30,		Six Months Ended June 30,						
	September 30,	December 31,	Three Months Ended September 30,		Nine Months Ended September 30,						
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024 2023
Customers:											
Customer A											
Customer A											
Customer A	48 %	41 %	*	61 %	*	35 %	19 %	41 %	*	18 %	
Customer B	Customer B 17 %	28 %	*	26 %	Customer B 38 %	28 %	*				
Customer C	*	*	11 %	*							
Customer D	11 %	*									
Customer C											
Customer C											
Customer C	*	*	89 %	*	41 %						

*Total less than 10% for the period.

There are inherent risks whenever a large percentage of total revenue is concentrated in a limited number of customers. Should a significant customer terminate or fail to renew its contracts with us, in whole or in part, for any reason, or experience significant financial or operating difficulties, it could have a material adverse effect on our financial condition and results of operations. In general, a customer that makes up a significant portion of revenues in one period, may not make up a significant portion in subsequent periods.

Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the unaudited condensed consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities).

Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

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Level 2 — Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 — Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. The Company's assessment of the significance of a specific input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

Financial assets and liabilities held by the Company measured at fair value on a recurring basis as of June 30, 2024 September 30, 2024 and December 31, 2023 include cash and cash equivalents, short-term investments, derivative liability, and convertible notes.

3. REVENUE

Disaggregation of Revenue

The following table provides information on the disaggregation of revenue as recorded in the unaudited condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Hardware revenue	$18,896	$ 76,586	$ 29,525	$129,318
Services and other revenue	15,103	16,360	29,943	31,033
Total revenue	$33,999	$ 92,946	$ 59,468	$160,351

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Hardware revenue	$ 7,148	$ 117,143	$ 36,673	$ 246,461
Services and other revenue	22,143	16,597	52,086	47,630
Total revenue	$29,291	$ 133,740	$ 88,759	$ 294,091

The following table summarizes reportable revenue by geographic regions determined based on the location of the customers (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
United States	$ 32,642	$ 89,636	$ 56,936	$ 150,208
Rest of the world	1,357	3,310	2,532	10,143
Total revenue	$ 33,999	$ 92,946	$ 59,468	$ 160,351

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
United States	$ 27,425	$ 129,800	$ 84,361	$ 280,010
Rest of the world	1,866	3,940	4,398	14,081
Total revenue	$ 29,291	$ 133,740	$ 88,759	$ 294,091

Remaining Performance Obligations

Remaining performance obligations represent contracted revenue that has not been recognized, which include contract liabilities (deferred revenue) and amounts that will be billed and recognized as revenue in future periods. As of June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023, the Company had $422.9 million $416.5 million and $767.0 million $545.3 million of remaining performance obligations, respectively, and the approximate percentages expected to be recognized as revenue in the future are as follows (in thousands, except percentages):

	June 30, 2024			
	Total Remaining Performance Obligations	Percent Expected to be Recognized as Revenue: Less Than One Year	Two to Five Years	Greater Than Five Years
Services and other revenue	$339,957	15 %	47 %	38 %

	September 30, 2024			
	Total Remaining Performance Obligations	Percent Expected to be Recognized as Revenue: Less Than One Year	Two to Five Years	Greater Than Five Years
Services and other revenue	$ 336,591	16 %	47 %	37 %

Hardware revenue	Hardware revenue	82,942	100	100 %	— %	— %	Hardware revenue	79,884	100	100 %	— %	— %
Total revenue												

	June 30, 2023			
	Total Remaining Performance Obligations	Percent Expected to be Recognized as Revenue		
		Less Than One Year	Two to Five Years	Greater Than Five Years
Services and other revenue	$ 407,026	12 %	44 %	44 %
Hardware revenue	360,003	100 %	— %	— %
Total revenue	$ 767,029			

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	September 30, 2023			
	Total Remaining Performance Obligations	Percent Expected to be Recognized as Revenue		
		Less Than One Year	Two to Five Years	Greater Than Five Years
Services and other revenue	$ 331,520	14 %	48 %	38 %
Hardware revenue	213,813	100 %	— %	— %
Total revenue	$ 545,333			

Contract Balances

Deferred revenue primarily includes cash received in advance of revenue recognition related to energy optimization services and incentives. The following table presents the changes in the deferred revenue balance during the six nine months ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023 (in thousands):

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2024	2024	2023	2024	2023
Beginning balance					
Upfront payments received from customers					
Upfront payments received from customers					
Upfront payments received from customers					
Upfront or annual incentive payments received					
Revenue recognized related to amounts that were included in beginning balance of deferred revenue					
Revenue recognized related to deferred revenue generated during the period					
Revenue recognized related to deferred revenue generated during the period					
Revenue recognized related to deferred revenue generated during the period					
Write-off of deferred revenue (1)					
Ending balance					

(1) Deferred revenue write-off in connection to the parent company guarantee arrangements discussed below.

Parent Company Guarantees

Prior to July 2023, the Company agreed in certain customer contracts to provide a guarantee that the value of purchased hardware will not decline for a certain period of time. Under this guarantee, if these customers were unable to install or designate the hardware to a specified project within such period of time, the Company would be required to assist the customer in re-marketing the hardware for resale by the customer. If a resale does not occur, the hardware will be appraised utilizing a third party. The guarantee provided that, in such cases, if the customer resold the hardware for less than the amount initially sold to the customer or the appraisal value is less than the hardware purchase price, the Company would be required to compensate the customer for any shortfall in fair value for the hardware from the initial contract price. The Company accounts for such contractual terms and guarantees as variable consideration at each measurement date. The Company updates its estimate of variable consideration each quarter, including changes in estimates related to such guarantees, for facts or circumstances that have changed from the time of the initial estimate. As a result, the Company recorded a net revenue reduction reductions of $33.1 million $5.6 million and $38.7 million in hardware revenue during the six three and nine months ended June 30, 2024. September 30, 2024, respectively. The overall reduction in revenue was related to deliveries that occurred prior to the current fiscal year.

Impairment and Accounts Receivable Write-Off

For those contracts where the customers invoked parent company guarantee ("PCG") protection pursuant to the applicable contract, the Company has worked actively to remarket the remaining systems subject to PCG with a wide variety of potential customers. The remaining net book Company has been engaged in ongoing negotiations with several parties, including the original customers who hold title to the assets, for the purchase of the remarketed hardware. Despite such efforts, such negotiations have resulted in limited transactions with mutually agreed upon pricing and terms. Recent closed transactions have resulted in resales at prices significantly below carrying values. Under contracts containing a PCG provision, in the event that the Company and the customer are unable to remarket and sell the relevant assets, the customer shall engage a third party to appraise the fair market value of the billed remaining hardware. As of the date of this report, none of such customers have elected to obtain a third party hardware appraisal for the previously purchased hardware. Given the uncertainty of collection from the original customers of due and unbilled unpaid amounts in those cases where the Company believes it has enforceable rights of recovery, the Company believes the likelihood for collection of the accounts receivable as of June 30, 2024 is $108.1 million which could be outstanding relating to hardware subject to further adjustments under these PCG's is no longer probable. Accordingly, the outstanding guarantees.

Company wrote-off the remaining receivables of $104.1 million during the three months

ended September 30, 2024, offset by $1.6 million for amounts previously provided for on these receivables and recorded within general and administrative expense in the unaudited condensed consolidated statements of operations. The Company is evaluating all potential remedies with respect to its enforceable rights under applicable contracts.

4. SHORT-TERM INVESTMENTS

The Company did not have short-term investments as of June 30, 2024 September 30, 2024. The following tables summarize the estimated fair value of the Company's short-term investments and the gross unrealized holding gains and losses as of December 31, 2023 (in thousands).

	As of December 31, 2023			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Commercial paper	$ 1,978	$ —	$ —	$ 1,978
U.S. government bonds	2,744	—	(3)	2,741
Agency bonds	3,503	—	(3)	3,500
Total short-term investments	$ 8,225	$ —	$ (6)	$ 8,219

The Company periodically reviews the individual securities that have unrealized losses on a regular basis to evaluate whether or not any security has experienced, or is expected to experience, credit losses resulting in the decline in fair value. The Company evaluates, among other factors, whether the Company intends to sell any of these short-term investments and whether it is more likely than not that the Company will be required to sell any of them before recovery of the amortized cost basis. During the six nine months ended June 30, 2024 September 30, 2024, the Company did not record an allowance for credit losses. losses related to short-term investments.

5. FAIR VALUE MEASUREMENTS

Fair value accounting is applied for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. On June 30, 2024 September 30, 2024 and December 31, 2023, the carrying amount of accounts receivable, other current assets, accounts payable, and accrued and other current liabilities approximated their estimated fair value due to their relatively short maturities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table provides the financial instruments measured at fair value (in thousands):

		June 30, 2024			September 30, 2024				
	Level 1	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value
Assets:									
Cash equivalents:									
Cash equivalents:									
Cash equivalents:									
Money market fund									
Money market fund									
Money market fund	$ 46,060	$ —	$ —	$ 46,060	$ 46,661	$ —	$ —	$ 46,661	
Total financial assets									
Total financial assets									
Total financial assets									

	December 31, 2023			
	Level 1	Level 2	Level 3	Fair Value
Assets:				

Cash equivalents:				
Money market fund	$ 47,297	$ —	$ —	$ 47,297
Commercial paper	—	3,971	—	3,971
Debt securities:				
Commercial paper	—	1,978	—	1,978
U.S. government bonds	—	2,741	—	2,741
Other	—	3,500	—	3,500
Total financial assets	$ 47,297	$ 12,190	$ —	$ 59,487
Liabilities:				
Derivative liability	$ —	$ —	$ 7,731	$ 7,731

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	December 31, 2023			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market fund	$ 47,297	$ —	$ —	$ 47,297
Commercial paper	—	3,971	—	3,971
Debt securities:				
Commercial paper	—	1,978	—	1,978
U.S. government bonds	—	2,741	—	2,741
Other	—	3,500	—	3,500
Total financial assets	$ 47,297	$ 12,190	$ —	$ 59,487
Liabilities:				
Derivative liability	$ —	$ —	$ 7,731	$ 7,731

The Company's money market funds are classified as Level 1 because they are valued using quoted market prices. The Company's short-term investments consist of available-for-sale securities and are classified as Level 2 because their value is based on valuations using significant inputs derived from or corroborated by observable market data. As of December 31, 2023, the Company's other current liabilities included a derivative liability that was attributable to a derivative feature within a revenue contract, whereby final settlement was indexed to the price per ton of lithium carbonate. The balance was valued using a third party forecast for lithium carbonate. As the derivative instrument was not traded on an exchange it was classified within Level 3 of the fair value hierarchy. During the six nine months ended June 30, 2024 September 30, 2024, the derivative liability was settled resulting in a gain of $1.5 million.

Fair Value of Convertible Promissory Notes

The convertible notes are recorded at face value less unamortized debt issuance costs (see Note 8 — *Convertible Notes* for additional details) on the unaudited condensed consolidated balance sheets as of June 30, 2024 September 30, 2024. As of June 30, 2024 September 30, 2024 and December 31, 2023, the estimated fair value of the 2028 Convertible Notes was $120.1 83.7 million and $149.1 million, respectively, based on Level 2 quoted bid prices of the convertible notes in an over-the-counter market on the last trading date of the reporting period. As of June 30, 2024 September 30, 2024 and December 31, 2023, the estimated fair value of the 2030 Convertible Notes was $101.1 71.6 million and $175.8 million, respectively, based on Level 2 quoted bid prices of the convertible notes in an over-the-counter market on the last trading date of the reporting period.

6. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

Goodwill consists of the following (in thousands):

		June 30,	December 31,		
		September 30,	December 31,		
	2024	2024	2023	2024	2023
Goodwill					
Effect of foreign currency translation					
Effect of foreign currency translation					

Effect of foreign currency translation	
Impairment charges	
Total goodwill	

STEM, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Goodwill is tested for impairment annually, or more often if an event or circumstance indicates that the carrying amount may not be recoverable. In connection with the preparation of the unaudited condensed consolidated financial statements for the three months ended June 30, 2024, the Company considered the sustained decline in the Company's stock price, market capitalization, and recent financial performance to be a triggering event for its single reporting unit and therefore completed a test for impairment of goodwill for the reporting unit as of June 30, 2024. The Company tested goodwill for impairment using a Step 1 quantitative test and compared the reporting unit's fair value to its carrying value. An impairment is recorded for any excess carrying value above the reporting unit's fair value, not to exceed the amount of goodwill. The Company estimates fair value of its reporting units using a discounted cash flow model, commonly referred to as the income approach. The income approach uses a reporting unit's projection of estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions appropriate to the Company's reporting unit. The discounted cash flow model uses management's best estimates of economic and market conditions over the projected period using the best information available, including growth rates in revenues, costs and estimates of future expected changes in operating margins and cash expenditures. Other estimates and assumptions include terminal value growth rates, weighted average cost of capital and changes in future working capital requirements. The impairment test resulted in an impairment of $547.2 million.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Intangible Assets, Net

Intangible assets, net, consists of the following (in thousands):

		June 30,	December 31,		
		September 30,	December 31,		
	2024	2024	2023	2024	2023
Developed technology					
Trade name					
Customer relationships					
Internally developed software					
Internally developed software					
Internally developed software					
Intangible assets					
Less: Accumulated amortization					
Add: Currency translation adjustment					
Total intangible assets, net					

Amortization expense for intangible assets was $6.7 7.0 million and $6.8 $5.2 million for the three months ended June 30, 2024 September 30, 2024 and 2023, respectively, and $13.3 million $20.3 million and $13.3 18.5 million for the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively.

7. ENERGY STORAGE SYSTEMS, NET

Energy Storage Systems, Net

Energy storage systems, net, consists of the following (in thousands):

		June 30,	December 31,		
		September 30,	December 31,		
	2024	2024	2023	2024	2023
Energy storage systems placed into service					
Less: accumulated depreciation					
Energy storage systems not yet placed into service					
Total energy storage systems, net					

Depreciation expense for energy storage systems was approximately $3.5 million and $3.6 million for the three months ended June 30, 2024 September 30, 2024 and 2023, respectively, and approximately $6.5 $10.0 million and $7.2 $10.8 million for the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively. Depreciation expense is recognized in cost of services and other revenue.

Impairment expense for energy storage systems was approximately $0.1 $0.3 million and $1.2 $0.3 million for the three months ended June 30, 2024 September 30, 2024 and 2023, respectively, and approximately $0.1 $0.4 million and $2.1 $2.3 million for the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively. Impairment expense is recognized in cost of services and other revenue.

8. CONVERTIBLE NOTES

2028 Convertible Notes and 2028 Capped Call Options

2028 Convertible Notes

On November 22, 2021, the Company issued $460.0 million aggregate principal amount of its 2028 Convertible Notes in a private placement offering to qualified institutional buyers (the “2021 Initial Purchasers”) pursuant to Rule 144A under the Securities Act of 1933, as amended.

The 2028 Convertible Notes are senior, unsecured obligations of the Company and bear interest at a rate of 0.5% per year, payable in cash semi-annually in arrears in June and December of each year, beginning in June 2022. The 2028 Convertible Notes will mature on December 1, 2028, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, the Company may choose to pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock. The 2028 Convertible Notes are redeemable for cash at the Company’s option at any time given certain conditions (as discussed below), at an initial conversion rate of 34.1965 shares of common stock per $1,000 principal amount of 2028 Convertible Notes, which is equivalent to an initial conversion price of

approximately $29.24 (the “2028 Conversion Price”) per share of the Company’s common stock. The conversion rate is subject to customary adjustments for certain events as described in the related indenture.

The Company may redeem for cash all or any portion of the 2028 Convertible Notes, at the Company’s option, on or after December 5, 2025 if the last reported sale price of the Company’s common stock has been at least 130% of the 2028 Conversion Price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2028 Convertible Notes to be redeemed, plus accrued and unpaid interest.

The Company’s net proceeds from this offering were approximately $445.7 million, after deducting the 2021 Initial Purchasers’ discounts and debt issuance costs. To minimize the effect of potential dilution to the Company’s common stockholders upon conversion of the 2028 Convertible Notes, the Company entered into separate capped call transactions (the “2028 Capped Calls”) as described below. In connection with the issuance of the 2030 Convertible Notes during the second quarter of 2023, the Company used approximately $99.8 million of the net proceeds to purchase and surrender for cancellation approximately $163.0 million aggregate principal amount of the Company’s 2028 Convertible Notes, which resulted in a $59.4 million gain on debt extinguishment. See *2030 Convertible Notes* below for further details of the 2030 Convertible Notes.

Upon adoption of ASU 2020-06, the Company allocated all of the debt discount to long-term debt. The debt discount is amortized to interest expense using the effective interest method, computed to be 0.9%, over the life of the 2028 Convertible Notes or approximately its seven-year term. The outstanding 2028 Convertible Notes balances as of June 30, 2024 September 30, 2024 and December 31, 2023 are summarized in the following table (in thousands):

	June 30, 2024	December 31, 2023
	September 30, 2024	**December 31, 2023**
Long Term Debt		
Outstanding principal		
Outstanding principal		
Outstanding principal		
Unamortized 2021 Initial Purchasers’ debt discount and debt issuance cost		
Net carrying amount		

The following table presents total interest expense recognized related to the 2028 Convertible Notes during the three and six nine months ended June 30, 2024 September 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,	Six Months Ended June 30,
	Three Months Ended September 30,	**Nine Months Ended September 30,**

	2024	2024	2023	2024	2023	2024	2023	2024	2023
Cash interest expense									
Contractual interest expense									
Contractual interest expense									
Contractual interest expense									
Non-cash interest expense									
Amortization of debt discount and debt issuance cost									
Amortization of debt discount and debt issuance cost									
Amortization of debt discount and debt issuance cost									
Total interest expense									

2028 Capped Call Options

On November 17, 2021, in connection with the pricing of the 2028 Convertible Notes, and on November 19, 2021, in connection with the exercise in full by the 2021 Initial Purchasers of their option to purchase additional Notes, the Company entered into the 2028 Capped Calls with certain counterparties. The Company used $66.7 million of the net proceeds to pay the cost of the 2028 Capped Calls.

The 2028 Capped Calls have an initial strike price of $29.2428 per share, which corresponds to the initial conversion price of the 2028 Convertible Notes and is subject to anti-dilution adjustments. The 2028 Capped Calls have a cap price of $49.6575 per share, subject to certain adjustments.

The 2028 Capped Calls are considered separate transactions entered into by and between the Company and the 2028 Capped Calls counterparties, and are not part of the terms of the 2028 Convertible Notes. The Company recorded a reduction to additional paid-in capital of $66.7 million during the year ended December 31, 2021 related to the premium payments for the 2028 Capped Calls. These instruments meet the conditions outlined in Financial Accounting Standards Board ("FASB") ASU 2022-01 Topic 815, *Derivatives and Hedging* ("ASC 815") to be classified in stockholders' equity and are not subsequently remeasured as long as the conditions for equity classification continue to be met.

2030 Convertible Notes and 2030 Capped Call Options

2030 Convertible Notes

On April 3, 2023, the Company issued $240.0 million aggregate principal amount of its 2030 Convertible Notes in a private placement offering to qualified institutional buyers (the "2023 Initial Purchasers") pursuant to Rule 144A under the Securities Act of 1933, as amended.

The 2030 Convertible Notes are senior, unsecured obligations of the Company and bear interest at a rate of 4.25% per year, payable in cash semi-annually in arrears in April and October of each year, beginning on October 1, 2023. The 2030 Convertible Notes will mature on April 1, 2030, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, the Company may choose to pay or deliver cash, shares of common stock or a combination of cash and shares of common stock. The 2030 Convertible Notes are redeemable for cash at the Company's option at any time given certain conditions (as discussed below), at an initial conversion rate of 140.3066 shares of common stock per $1,000 principal amount of the 2030 Convertible Notes, which is equivalent to an initial conversion price of approximately $7.1272 (the "2030 Conversion Price") per share of the Company's common stock. The conversion rate is subject to customary adjustments for certain events as described in the related indenture.

The 2030 Convertible Notes will be redeemable, in whole or in part, at the Company's option, on or after April 5, 2027 if the last reported sale price of the Company's common stock has been at least 130% of the 2030 Conversion Price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2030 Convertible Notes to be redeemed, plus accrued and unpaid interest.

The Company's net proceeds from this offering were approximately $232.4 million, net of $7.6 million in debt issuance costs primarily consisting of underwriters, advisory, legal, and accounting fees. The Company used approximately $99.8 million of the net proceeds to purchase and surrender for cancellation approximately $163.0 million aggregate principal amount of the Company's 2028 Convertible Notes. See *2028 Convertible Notes* above for further details on the impacts of the debt extinguishment.

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The outstanding 2030 Convertible Notes balances as of June 30, 2024 September 30, 2024 and December 31, 2023 are summarized in the following table (in thousands):

	June 30, 2024	December 31, 2023
Long Term Debt		
Outstanding principal	$ 240,000	$ 240,000
Unamortized 2023 Initial Purchasers' debt discount and debt issuance cost	(6,401)	(6,890)
Net carrying amount	$ 233,599	$ 233,110

	September 30, 2024	December 31, 2023
Long Term Debt		
Outstanding principal	$ 240,000	$ 240,000
Unamortized 2023 Initial Purchasers' debt discount and debt issuance cost	(6,152)	(6,890)
Net carrying amount	$ 233,848	$ 233,110

The debt discount and debt issuance costs are amortized to interest expense using the effective interest method, computed to be 4.70%, over the life of the 2030 Convertible Notes or its approximately seven-year term.

The following table presents total interest expense recognized related to the 2030 Convertible Notes during the three and six nine months ended June 30, 2024 September 30, 2024 (in thousands):

	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
Cash interest expense		
Cash interest expense		

	Three Months Ended September 30, 2024	2023	Nine Months Ended September 30, 2024	2023
Cash interest expense				
Contractual interest expense				
Contractual interest expense				
Contractual interest expense				
Non-cash interest expense				
Amortization of debt discount and debt issuance cost				
Amortization of debt discount and debt issuance cost				
Amortization of debt discount and debt issuance cost				
Total interest expense				

2030 Capped Call Options

On March 29, 2023 and March 31, 2023, in connection with the pricing of the 2030 Convertible Notes, and on April 3, 2023, in connection with the exercise in full by the 2023 Initial Purchasers of their option to purchase additional 2030 Convertible Notes, the Company entered into Capped Calls (the "2030 Capped Calls") with certain counterparties. The Company used $27.8 million of the net proceeds from the 2030 Convertible Notes to pay the cost of the 2030 Capped Calls.

The 2030 Capped Calls have an initial strike price of $7.1272 per share, which corresponds to the initial conversion price of the 2030 Convertible Notes and is subject to anti-dilution adjustments. The 2030 Capped Calls have a cap price of $11.1800 per share, subject to certain adjustments.

The 2030 Capped Calls are considered separate transactions entered into by and between the Company and the 2030 Capped Calls counterparties, and are not part of the terms of the 2030 Convertible Notes. The Company recorded a reduction to additional paid-in capital of $27.8 million during the second quarter of 2023 related to the premium payments for the 2030 Capped Calls. These instruments meet the conditions outlined in ASC 815 to be classified in stockholders' equity and are not subsequently remeasured as long as the conditions for equity classification continue to be met.

9. STOCK-BASED COMPENSATION

Equity Incentive Plans

In May 2024, the Company adopted the 2024 Equity Incentive Plan (the "2024 Plan"). Under the 2024 Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), and other awards that are settled in shares of the Company's common stock.

Stock Options

The following table summarizes the stock option activity for the period ended June 30, 2024 September 30, 2024:

	Number of Options Outstanding	Number of Options Outstanding	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)	Number of Options Outstanding	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)
Balances as of December 31, 2023									
Options granted									
Options forfeited and expired									
Options forfeited and cancelled									
Options forfeited and expired									
Options forfeited and cancelled									
Options forfeited and expired									
Options forfeited and cancelled									
Balances as of June 30, 2024									
Balances as of September 30, 2024									
Balances as of June 30, 2024									
Balances as of September 30, 2024									
Balances as of June 30, 2024									
Options vested and exercisable — June 30, 2024									
Balances as of September 30, 2024									
Options vested and exercisable — September 30, 2024									

As of June 30, 2024 September 30, 2024, the Company had approximately $10.5 million $6.9 million of remaining unrecognized stock-based compensation expense for stock options, which is expected to be recognized over a weighted average period of 1.2 1.1 years.

STEM, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Restricted Stock Units

The following table summarizes the RSU activity for the period ended June 30, 2024 September 30, 2024:

	Number of RSUs Outstanding (1)	Number of RSUs Outstanding (1)	Weighted-Average Grant Date Fair Value Per Share	Number of RSUs Outstanding (1)	Weighted-Average Grant Date Fair Value Per Share
Balances as of December 31, 2023					
RSUs granted					
RSUs vested					
RSUs forfeited					
Balances as of June 30, 2024					
Balances as of September 30, 2024					

(1) Includes certain restricted stock units RSUs with service and market-based vesting criteria.

As of June 30, 2024 September 30, 2024, the Company had approximately $59.0 million $49.2 million of remaining unrecognized stock-based compensation expense for RSUs, which is expected to be recognized over a weighted average period of 1.7 years.

During the three months ended March 31, 2024, the Company issued 3.0 million shares of fully vested RSU awards through the Company's stock bonus program under the Company's 2021 Equity Incentive Plan.

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense recorded in each component of operating expenses in the Company's unaudited condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended June 30,	Six Months Ended June 30,

			Three Months Ended September 30,	Nine Months Ended September 30,							
	2024	2024	2023	2024			2023	2024	2023	2024	2023
Sales and marketing	Sales and marketing	$1,244	$1,550	$ 2,358	$ 2,495	Sales and marketing	$ 130	$ 1,614	$ 2,488	$ 4,109	
Research and development	Research and development	2,585	2,548	4,116	4,266	Research and development	2,038	2,467	6,154	6,733	
General and administrative	General and administrative	2,981	5,822	8,710	10,361	General and administrative	4,364	7,117	13,074	17,478	
Total stock-based compensation expense	Total stock-based compensation expense	$6,810	$9,920	$15,184	$17,122	Total stock-based compensation expense	$6,532	$ 11,198	$ 21,716	$ 28,320	

Stock-based compensation expense associated with research and development of $0.7 million and $0.9 million $1.2 million corresponding to internal-use software, were capitalized during the three months ended June 30, 2024 September 30, 2024 and 2023, respectively. Stock-based compensation expense associated with research and development of $1.7 million $2.4 million and $1.8 million $3.1 million were capitalized as internal-use software during the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively.

During the three nine months ended June September 30, 2024 stock-based compensation expense included stock modifications in connection with the separation agreements for certain of the Company's former executive officers. For the three nine months ended

June September 30, 2024, a net reduction of stock-based compensation expense of $2.0 million was recorded within general and administrative expense and an additional charge of $0.7 million was recorded within research and development expense.

STEM, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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10. NET (LOSS) INCOME LOSS PER SHARE

Net (loss) income loss per share is computed by dividing net (loss) income loss by the basic weighted-average number of shares outstanding during the period. Diluted net (loss) income loss per share is computed by dividing net income by the diluted weighted-average number of shares outstanding during the period and, accordingly, reflects the potential dilutive effect of all issuable shares of common stock, including as a result of stock options, restricted stock units, warrants and convertible notes. The diluted weighted-average number of shares used in our diluted net (loss) income loss per share calculation is determined using the treasury stock method for stock options, restricted stock units, and warrants, and the if-converted method for convertible notes. For periods in which we recognize losses, the calculation of diluted loss per share is the same as the calculation of basic loss per share.

The following table sets forth the computation of basic and diluted net (loss) income loss per share attributable to common stockholders (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net (loss) income attributable to common stockholders	$ (582,270)	$ 19,122	$ (654,577)	$ (25,656)
Numerator - Diluted:				
Net (loss) income per share attributable to common stockholders, basic	$ (582,270)	$ 19,122	$ (654,577)	$ (25,656)
Less: Gain on extinguishment of debt, net of tax	—	(59,133)	—	—
Net loss attributable to Stem common stockholders, diluted	$ (582,270)	$ (40,011)	$ (654,577)	$ (25,656)
Denominator:				
Weighted-average number of shares outstanding used to compute net (loss) income per share attributable to common stockholders, basic	162,158,936	155,619,179	160,169,536	155,294,475
Dilutive potential common shares	—	185,774	—	—

Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, diluted	162,158,936	155,804,953	160,169,536	155,294,475
Net (loss) income per share attributable to common stockholders, basic	$ (3.59)	$ 0.12	$ (4.09)	$ (0.17)
Net loss per share attributable to common stockholders, diluted	$ (3.59)	$ (0.26)	$ (4.09)	$ (0.17)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net loss attributable to common stockholders	$ (148,300)	$ (77,072)	$ (802,877)	$ (102,728)
Denominator:				
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	162,633,996	155,829,348	160,997,019	155,474,725
Net loss per share attributable to common stockholders, basic and diluted	$ (0.91)	$ (0.49)	$ (4.99)	$ (0.66)

The following table shows total outstanding potentially dilutive shares excluded from the computation of diluted net loss per share attributable to common stockholders as their effect would have been anti-dilutive, as of June 30, 2024 September 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
	September 30, 2024	September 30, 2023
Outstanding 2028 Convertible Notes (if converted)		
Outstanding 2028 Convertible Notes (if converted)		
Outstanding 2028 Convertible Notes (if converted)		
Outstanding 2030 Convertible Notes (if converted)		
Outstanding stock options		
Outstanding warrants		
Outstanding RSUs		
Total		

STEM, INC.

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11. INCOME TAXES

The following table reflects the Company's provision for income taxes and the effective tax rates for the periods presented below (in thousands, except effective tax rate):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(Loss) income before provision for income taxes	$ (582,208)	$ 19,613	$ (654,362)	$ (25,256)
Provision for income taxes	$ (62)	$ (491)	$ (215)	$ (400)
Effective tax rate	(0.01)%	2.50 %	(0.03)%	(1.60)%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Loss before (provision for) benefit from income taxes	$ (148,171)	$ (77,118)	$ (802,533)	$ (102,374)
(Provision for) benefit from income taxes	$ (129)	$ 46	$ (344)	$ (354)
Effective tax rate	(0.09)%	0.06 %	(0.04)%	(0.30)%

For the three months ended June September 30, 2024, the Company recognized a provision for income taxes of $62 thousand, 0.1 million, representing an effective tax rate of (0.01) (0.09)%, which was lower than the statutory federal tax rate because the Company maintains a valuation allowance on its U.S. deferred tax assets and recognized a nondeductible goodwill impairment. For the six nine months ended June 30, 2024 September 30, 2024, the Company recognized a provision for income taxes of $0.2 $0.3 million, representing an

effective tax rate of (0.03) (0.04)%, which was lower than the statutory federal tax rate due to the valuation allowance on U.S. deferred tax assets and a nondeductible goodwill impairment. For the three months ended June 30, 2023 September 30, 2023, the Company recognized a provision for benefit from income taxes of $0.5 million $46 thousand, representing an effective tax rate of 2.50% 0.06%, which was lower than the statutory federal tax rate because the Company maintains a valuation allowance on its U.S. deferred tax assets. For the six nine months ended June September 30, 2023, the Company recognized a provision for income taxes of $0.4 million, representing an effective tax rate of (1.60) (0.30)%, which was lower than the statutory federal tax rate due to a $0.3 million tax benefit from an acquisition for a partial valuation allowance release on U.S. deferred tax assets due to the deferred tax liability established in purchase accounting on acquired intangibles during the six nine months ended June 30, 2023 September 30, 2023.

12. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company is party to various legal proceedings from time to time. A liability is accrued when a loss is both probable and can be reasonably estimated. Management believes that the probability of a material loss with respect to any currently pending legal proceeding is remote. However, litigation is inherently uncertain and it is not possible to definitively predict the ultimate disposition of any of these proceedings. As of the date of this filing, the Company does not believe that there are any pending legal proceedings or other loss contingencies that will, either individually or in the aggregate, have a material adverse effect on the Company taken as a whole.

Commitments

In June 2024, the Company recognized a $2.5 million operating lease liability and a corresponding operating lease right-of-use ("ROU") asset, which are included in the unaudited condensed consolidated balance sheets as of June 30, 2024 September 30, 2024. The operating lease liability and operating lease ROU asset correspond to 6,508 square feet of leased office in San Francisco, California. As of the commencement date of the lease, the remaining lease term was 65 months. The lease agreement contemplates options to extend the non-cancelable lease term, which have been determined to be not reasonably certain to be exercised. Base rent is approximately $54,200 per month with escalating payments. Upon entering into this new lease, the Company subleased an existing office space which led to a right-of-use asset impairment of $2.1 million in June 2024.

In August 2024, the Company entered into a new office lease that has not yet commenced. The Company will account for this office lease as an operating lease under ASC 842. The lease will commence in the three fourth quarter of 2024 and payment of rent will begin in the third quarter of fiscal year 2025. The lease will terminate in the third quarter of 2030. Monthly rent begins at approximately $27,200 with escalating payments over the lease term.

In September 2024, the Company recognized a $1.7 million operating lease liability and a corresponding operating lease right-of use asset, which are included in the unaudited condensed consolidated balance sheets as of September 30, 2024, consisting of 24,102 square feet of leased office in Longmont, Colorado. As of the commencement date of the lease, the remaining lease term was 77 months ended June 30, 2024. and base rent is approximately $30,100 per month with escalating payments over the lease term.

Non-cancelable Purchase Obligations

During the three months ended June 30, 2024 September 30, 2024, the Company incurred $10.0 million there have been no material changes to our non-cancelable in termination expenses in relief of $116.0 million of prior purchase obligations from those disclosed in Note 20. "Commitments and Contingencies" in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed commitments with the SEC on February 29, 2024. a supplier.

Non-Income Related Taxes

The Company is finalizing its sales tax liability analysis for states in which it may be determined to have economic nexus. During the third quarter of 2023, the Company determined it was probable that the Company would be subject to sales tax liabilities plus applicable interest in certain states and estimated the probable tax liability to be $5.6 million, and accordingly, the Company accrued this amount as of June 30, 2024 September 30, 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (the "Report"), as well as other statements we make, contains "forward-looking statements" within the meaning of the federal securities laws, which include any statements that are not historical facts. Such statements often contain words such as "expect," "may," "can," "believe," "predict," "plan," "potential," "projected," "projections," "forecast," "estimate," "intend," "anticipate," "ambition," "goal," "target," "think," "should," "could," "would," "will," "hope," "see," "likely," and other similar words.

Forward-looking statements address matters that are, to varying degrees, uncertain, such as statements about financial and performance targets and other forecasts or expectations regarding, or dependent on, our business outlook; outlook and strategy; our expectations regarding future estimates of variable consideration in connection with guarantees in certain customer contracts, and the resulting effects on revenue; our ability to secure sufficient and timely inventory from suppliers; our ability to meet contracted customer demand; our ability to manage manufacturing or delivery delays; our ability to manage our supply chain and distribution channels; our joint ventures, partnerships and other alliances; forecasts or expectations regarding energy transition and global climate change; reduction of greenhouse gas ("GHG") emissions; the integration and optimization of energy resources; our business strategies and those of our customers; our ability to retain or upgrade current customers, further penetrate existing markets or expand into new markets; the effects of natural disasters and other events beyond our control; the direct or indirect effects on our business of macroeconomic factors and geopolitical instability, such as the armed conflicts between Russia and Ukraine and in the Gaza Strip and nearby areas; the expected benefits of the Inflation Reduction Act of 2022 on our business; and our future results of operations, including revenue, adjusted EBITDA, and adjusted EBITDA. the other metrics presented herein.

Forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including but not limited to our inability to execute on, and achieve the expected benefits from, our operational and strategic initiatives; our inability to successfully execute on our new software and services-centric strategy; our inability to secure sufficient and timely inventory from our suppliers, as well as contracted quantities of equipment; our inability to meet contracted customer demand; supply chain interruptions and manufacturing or delivery delays; disruptions in sales, production, service or other business activities; general macroeconomic and business conditions in key regions of the world, including inflationary pressures, general economic slowdown or a recession, rising interest rates, changes in monetary policy, and instability in financial institutions; the direct and indirect effects of widespread health emergencies on our workforce, operations, financial results and cash flows; geopolitical instability, such as the armed conflicts between Russia and Ukraine and in the Gaza Strip and nearby areas; the results of operations and financial condition of our customers and suppliers; pricing pressures; severe weather and seasonal factors; our inability to continue to grow and manage our growth effectively; our inability to execute on our ongoing management transition and to attract and retain qualified employees and key personnel; our inability to comply with, and the effect on our business of, evolving legal standards and regulations, including those concerning data protection, consumer privacy, sustainability, and evolving labor standards; our inability to regain and maintain compliance with New York Stock Exchange listing standards; risks relating to the development and performance of our energy storage systems and software-enabled services; our inability to retain or upgrade current customers, further penetrate existing markets or expand into new markets; the risk that our business, financial condition and results of operations may be adversely affected by other political, economic, business and competitive factors; and other risks and uncertainties discussed in Part II. Item 1A. “Risk Factors” in this Report, in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and in our other filings with the SEC. If one or more of these or other risks or uncertainties materialize (or the consequences of any such development changes), or should our underlying assumptions prove incorrect, our actual results or outcomes, or the timing of these results or outcomes, may vary materially from those reflected in our forward-looking statements. Forward-looking statements and other statements in this Report regarding our environmental, social, and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or required to be disclosed in our filings with the SEC. In addition, historical, current, and forward-looking environmental, social, and sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. Forward-looking statements in this Report are made as of the date of this Report, and we do not assume any obligation to update any forward-looking statements after the date of this Report, except as required by law.

You should read the following management’s discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q. This discussion and analysis should also be read together with our audited consolidated financial statements and related notes, as well as the section entitled “Management’s Discussion and Analysis of Financial Condition and Results or Operations” contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. You should carefully read the sections entitled “Special Note Regarding Forward-Looking Statements” and “Risk

Factors” herein to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements.

Overview

Our mission is to maximize the economic, environmental, help our customers plan, deploy, and resiliency value of renewable operate clean energy assets through our leading artificial intelligence (“AI”)platform. via AI-enabled software and services.

In order to fulfill our mission, we provide our customers, which include energy traders, asset owners, independent power producers, community choice aggregators, offtakers, renewable project developers, EPCs, O&M operations & maintenance providers, electric cooperatives, utilities, load-serving entities, and grid operators, with (i) an integrated suite of software and edge products, and (ii) full-lifecycle energy storage hardware, sourced services from a team of leading global battery OEMs, that we deliver through our partners, including developers, distributors and EPC firms, (ii) edge hardware to aid in the collection of site data and the real-time operation and control of the site plus other optional equipment, and (iii) an ongoing software platform, Athena®, and services to operate and manage the performance of standalone energy storage, integrated solar plus storage systems, and solar assets. In addition, in all of the markets where we help manage our customers’ clean energy assets, we have agreements to use the Athena platform to participate in such markets and to share the revenue from such market participation. experts.

We operate have historically operated in two key areas within the energy landscape: Behind-the-Meter (“BTM”) and Front-of-the-Meter (“FTM”). An energy system’s position in relation to a customer’s electric meter determines whether it is designated a BTM or FTM system. BTM systems provide power that can be used on-site without interacting with the electric grid and passing through an electric meter. FTM, grid-connected systems provide power to off-site locations and must pass through an electric meter prior to reaching an end-user.

For BTM customers, Athena mitigates we help mitigate customer energy costs through services such as time-of-use and demand charge management optimization and by aggregating the dispatch of energy through a network of virtual power plants. Our software is and services are designed to enable our customers to reduce C&I customer energy bills, increase their energy yield, and help our customers facilitate the achievement of their corporate environmental, social, and corporate governance (“ESG”) and carbon reduction objectives. Through PowerTrack, our software maximizes solar energy output and minimizes asset downtime.

For FTM customers, our software decreases and services help decrease risk for project developers, asset owners, independent power producers and investors by adapting to dynamic energy market conditions in connection with the deployment of electricity and improving the value of energy assets over the course of their FTM system’s lifetime.

Since our inception in 2009, we have engaged in developing and marketing software-enabled AI-enabled software and services, raising capital, and recruiting personnel. As the energy landscape has changed in recent years, we have increasingly focused on larger, utility-scale projects, supporting energy asset owners, developers, operators, and traders. Over the last 15 years, we have grown into one of the most experienced energy storage providers in the world, achieving milestones such as deploying systems with Fortune 500 brands, operating the largest virtual power plant in California, and bringing energy storage into several emerging energy markets across the United States.

We have incurred net operating losses and negative cash flows from operations each year since our inception. We have financed our operations primarily through cash flows from customers, proceeds from the Merger, convertible senior notes, and issuance of convertible preferred stock.stock.

Our total revenue decreased from $92.9 $133.7 million for the three months ended June 30, 2023 September 30, 2023 to $34.0 $29.3 million for the three months ended June 30, 2024 September 30, 2024. We incurred net losses of $582.3 $148.3 million for the three months ended June 30, 2024 September 30, 2024 and generated incurred net income losses of $19.1 million $77.1 million for the three months ended June 30, 2023 September 30, 2023. Our total revenue decreased from $160.4 $294.1 million for the six nine months ended June 30, 2023 September 30, 2023 to $59.5 $88.8 million for the six nine months ended June 30, 2024 September 30, 2024. For the six nine months ended June 30, 2024 September 30, 2024 and 2023, we incurred net losses of $654.6 $802.9 million and $25.7 $102.7 million, respectively. As of June 30, 2024 September 30, 2024, we had an accumulated deficit of $1,427.1 $1,575.4 million.

We expect that our to continue to exercise discipline and moderate expenses associated with sales and marketing, research and development, regulatory and other expenses will continue to increase as we expand our marketing efforts to increase sales of our solutions, expand existing relationships with our customers, and obtain regulatory clearances or approvals for future product enhancements. related functions. In addition, we expect to continue to manage and reduce our general and administrative costs and expenses to increase due to the additional costs associated with scaling our business operations as well as and being a public company, including compliance with the rules and regulations of the SEC, legal, accounting, audit, additional insurance exchange listing and SEC compliance, expenses, investor relations activities, and other costs administrative and expenses. professional services.

Key Factors, Trends and Uncertainties Affecting our Business

We believe that our performance and future success depend on several factors, some of which present significant opportunities for us, and some of which pose risks and challenges, including but not limited to:

Seasonality

Our results Execution of operations have typically fluctuated due to seasonal trends, which we expect to recur in future periods. Historically, we have recognized our New Strategy

We recently announced a new business strategy that reflects a renewed focus on developing and marketing our AI-enabled software and services offerings. This transition will entail significant operational changes, including reduction of what has historically been the source of most of our revenue in (battery resales), adjustments to the third way we develop and fourth fiscal quarters of each year due to various factors, including the requirement by market our customers to reach target commercial operation dates for their renewable energy projects as well as tax equity products and financing considerations. For instance, our revenue recognized in the third services, and fourth quarters of the fiscal year ended December 31, 2023 accounted for 65% of the total revenue recognized in the fiscal year ended December 31, 2023. The seasonality realignment of our results of business processes. These changes are expected to reduced revenue, increased costs and short-term disruptions in our operations, which may be mitigated as negatively affect our ability to effectively scale the software and services offerings begin to comprise a greater percentage segments of our total revenue. business and achieve our financial and operational targets. Failure to successfully and timely implement our new strategy may have a material adverse effect on our business, financial condition, and results of operations.

See *"We may not be able to successfully implement our recently announced new strategy."* in Part II. Item 1A. "Risk Factors" in this Report for additional information about certain risks related to our new strategy.

In addition, the execution of our new business strategy is expected to require significant investment in our human capital and infrastructure. As of September 30, 2024, we had cash and cash equivalents of $75.4 million (as compared to $89.6 million as of June 30, 2024 and $105.4 million as of December 31, 2023), while our operating expenses for the three months ended September 30, 2024 was $150.6 million. Our cash reserves may constrain our ability to make the investments required to execute our new strategy or may otherwise not be sufficient to fund operations. If our cash flow from operations does not improve as quickly as expected, or if we are unable to secure additional sources of capital if or when the need arises, it may have a material adverse effect on our business, financial condition, and results of operations.

Customer Concentration

We depend on a small number of significant customers for our sales, and a small number of customers have historically accounted for a material portion of our revenue. While we are committed to diversifying our customer base, we may continue to derive a significant portion of our revenue from a small number of customers. Loss of a significant customer, the inability to close (or a delay in closing) a significant contract at any time, or a significant reduction in pricing or order volume from a significant customer, have (in the case of contractual delays, delays), resulted in material reductions in revenue and other adverse effects in certain quarters, and may do so in the future.

NYSE Notice

On August 28, 2024, we received formal notice from the New York Stock Exchange (the "NYSE") that we were not in compliance with Section 802.01C of the NYSE Listed Company Manual because the average closing price of our shares of common stock had fallen below $1.00 per share over a period of 30 consecutive trading days. We subsequently notified the NYSE of our intent to regain compliance with the requirements of Section 802.01C. We are able to regain compliance at any time within the six-month period following receipt of the notice if, on the last trading day of any calendar month during this cure period (or the last trading day of this cure period), we have a closing share price of at least $1.00 and an average closing share price of at least $1.00 over the prior 30 trading-day period. If we do not regain compliance with Section 802.01C within such cure period, the NYSE may commence delisting proceedings.

The notice does not affect our ongoing business operations or our SEC reporting requirements.

For more information, see Part II. Item 1A. "Risk Factors —*We may fail to qualify for continued listing on the NYSE, which could make it more difficult for our stockholders to sell their shares.*"

Parent Company Guarantees

Prior to July 2023, we agreed in certain customer contracts, to provide a guarantee that the value of purchased hardware will not decline for a certain period of time, as more fully described above under Note 3 — *Revenue*, of the Notes to the unaudited condensed consolidated financial statements in this Report. We account for such contractual terms and guarantees as variable consideration at each measurement date. We update our estimates of variable consideration each quarter, including changes in estimates related to such guarantees, for facts or circumstances that have changed from the time of the initial estimate. As a result, the Company recorded a net revenue reduction of $38.7 million in hardware revenue during the nine months ended September 30, 2024. The overall reduction in revenue was related to deliveries that occurred prior to the current fiscal year.

Because we have not included these parent company guarantees in our contracts since July 2023, and because we do not intend to provide guarantees in customer contracts going forward, we believe that excluding the effect of the $38.7 million net reduction in revenue from adjusted EBITDA and non-GAAP gross profit enhances the comparability to these metrics in prior periods.

Depending on various market conditions in the future that we cannot currently predict, we may experience future revenue reductions as a result of outstanding guarantees, one or more of which may be material.

Impairment and Accounts Receivable Write-Off

For those contracts where the customers invoked parent company guarantee ("PCG") protection pursuant to the applicable contract, we have worked actively to remarket the remaining systems subject to PCG with a wide variety of potential customers, as more fully described above under Note 3 — *Revenue*, of the Notes to the unaudited condensed consolidated financial statements in this Report. Given the uncertainty of collection from the original customers of due and unpaid amounts in those cases where we believe we have enforceable rights of recovery, we believe the likelihood for collection of the accounts receivable outstanding relating to hardware subject to these PCG's is no longer probable. Accordingly, we wrote-off the remaining receivables of $104.1 million during the three months ended September 30, 2024. We are evaluating all potential remedies with respect to its enforceable rights under applicable contracts.

Seasonality

Our results of operations have typically fluctuated due to seasonal trends, which we expect to recur in future periods. Historically, we have recognized most of our revenue in the third and fourth fiscal quarters of each year due to various factors, including the requirement by our customers to reach target commercial operation dates for their renewable energy projects as well as tax equity and financing considerations. For instance, our revenue recognized in the third and fourth quarters of the fiscal year ended December 31, 2023 accounted for 65% of the total revenue recognized in the fiscal year ended December 31, 2023. The seasonality of our results of operations may be mitigated as our software and services offerings begin to comprise a greater percentage of our total revenue.

Supply Chain Constraints and Risk

We rely on a very small number of suppliers of energy storage systems and other equipment. If any of our suppliers were unable or unwilling to provide us with contracted quantities in a timely manner at prices, quality levels, and volumes acceptable to us, we would have very limited alternatives for supply, and we may not be able find suitable replacements for our customers, if at all. Such an event could materially adversely affect our business, prospects, financial condition, and results of operations.

DevCo Joint Ventures

We, through an indirect wholly-owned development subsidiary, have entered into strategic joint ventures with qualified third parties to develop select energy storage generation projects ("DevCo Projects"), as more fully described above under Note 1 — *Business*, of the Notes to the unaudited condensed consolidated financial statements in this report. These projects sometimes require significant upfront investment by us and can involve a high degree of risk. If a DevCo Project fails to reach completion or is significantly delayed, we could lose all or a portion of our development capital investment. See *"We Face Risks Related to our DevCo Business Model"* in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for additional information about certain risks related to these DevCo Projects.

Parent Company Guarantees

Prior to July 2023, we agreed in certain customer contracts, to provide a guarantee that the value of purchased hardware will not decline for a certain period of time, as more fully described above under Note 3 — *Revenue*, of the Notes to the unaudited condensed consolidated financial statements in this Report. We account for such contractual terms and guarantees as variable consideration at each measurement date. We update our estimates of variable consideration each quarter, including changes in estimates related to such guarantees, for facts or circumstances that have changed from the time of the initial estimate. As a result, the Company recorded a net revenue reduction of $33.1 million in hardware revenue during the six months ended June 30, 2024. The overall reduction in revenue was related to deliveries that occurred prior to the current fiscal year.

Because we have not included these parent company guarantees in our contracts since July 2023, and because we do not intend to provide guarantees in customer contracts going forward, we believe that excluding the effect of the $33.1 million net reduction in revenue from adjusted EBITDA and non-GAAP gross profit enhances the comparability to these metrics in prior periods.

Depending on various market conditions in the future that we cannot currently predict, we may experience future revenue reductions as a result of outstanding guarantees, one or more of which may be material.

Decline in Lithium-Ion Battery Costs

Our revenue growth is directly tied to the continued adoption of energy storage systems by our customers. The cost of lithium-ion energy storage hardware has generally declined over the last decade, but increased demand and global supply chain constraints could cause price increases in the future. The market for energy storage is rapidly evolving, and while we believe costs will continue to decline over time, there is no guarantee. If costs do not continue to decline, or do not decline as quickly as we anticipate, this could adversely affect our ability to increase our revenue and grow our business. The United States Inflation Reduction Act of 2022 (the "IRA") was signed into law in August 2022 and includes incentives and tax credits aimed at reducing the effects of climate change, such as a tax credit for stand-alone battery storage projects. The implementation of the IRA is expected to further reduce the cost of battery storage systems for certain customers; however, there are numerous restrictions and requirements associated with qualifying for the tax credits and other incentives available under the IRA, and we continue to assess Treasury Department and other guidance on how the IRA impacts our business.

Increase in Deployment of Renewables

Deployment of intermittent resources has accelerated over the last decade, and today, wind and solar have become a low cost energy source. We expect the cost of generating renewable energy to continue to decline and deployments of energy storage systems to increase. As renewable energy sources of energy production are expected to represent a larger proportion of energy generation, grid instability rises due to their intermittency, which can be addressed by energy storage solutions. The IRA

is expected to further increase the deployment of renewable energy assets. We are continuing to evaluate the IRA and its requirements, including Treasury Department guidance, and its application to our business and our customers.

Competition

We are a market leader in terms of capacity of energy storage under management. We intend to strengthen our competitive position over time by leveraging the network effect of Athena's AI infrastructure. Existing competitors may expand their product offerings and sales strategies, and new competitors may enter the market. Furthermore, our competitors include other types of software providers and some hardware manufacturers that offer software solutions. If our market share declines due to increased competition, our revenue and ability to generate profits in the future may be adversely affected.

Government Regulation and Compliance

Although we are not regulated as a utility, the market for our products and services is heavily influenced by federal, state, and local government statutes and regulations concerning electricity. These statutes and regulations, like the IRA, affect electricity pricing, net metering, incentives, taxation, competition with utilities, and the interconnection of customer-owned electricity generation. In the United States and internationally, governments regularly modify these statutes and regulations and acting through state utility or public service commissions, regularly change and adopt different rates for commercial customers. These changes can positively or negatively affect our ability to deliver cost savings to customers.

Non-GAAP Financial Measures

In addition to financial results determined in accordance with U.S. generally accepted accounting principles (“GAAP”), we use adjusted EBITDA and non-GAAP gross profit and margin, which are non-GAAP financial measures, for financial and operational decision making and as a means to evaluate our operating performance and prospects, develop internal budgets and financial goals, and to facilitate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures that may not be indicative of our operating performance, such as stock-based compensation and other non-cash charges, as well as discrete cash charges that are infrequent in nature. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management’s internal comparisons to our historical performance and liquidity as well as comparisons to our competitors’ operating results. We believe these non-GAAP financial measures are useful to investors because they both (1) allow for greater transparency with respect to key metrics used by management in its financial and operational decision making and (2) are used by our institutional investors and the analyst community to help them analyze the health of our business. Adjusted EBITDA and non-GAAP gross profit and margin should be considered in addition to, not as a substitute for, or superior to, other measures of financial performance prepared in accordance with GAAP.

Non-GAAP Gross Profit and Margin

We define non-GAAP gross profit as gross profit excluding amortization of capitalized software, impairments related to decommissioning of end-of-life systems, excess supplier costs, reduction in revenue, and revenue constraints. We define non-GAAP gross margin as non-GAAP gross profit as a percentage of revenue.

We generally record the full purchase order value as revenue at the time of hardware delivery; however, for certain non-cancelable purchase orders entered into during the first quarter of 2023, the final settlement amount payable to us is variable and indexed to the price per ton of lithium carbonate in the first quarter of 2024 such that we may increase or decrease the final prices in such purchase orders based on the price per ton of lithium carbonate at final settlement. Lithium carbonate is a key raw material used in the production of hardware systems that we ultimately sell to our customers. The total dollar amount of such purchase orders for the indexed contracts was approximately $52.0 million. However, due to the pricing structure in such purchase orders, we recorded revenue in the first quarter of 2023 of approximately $42.0 million, net of a $10.2 million revenue constraint, using a third party forecast of the lithium carbonate trading value in the first quarter of 2024. Because we had not previously used indexed pricing in our customer contracts or purchase orders and had not previously constrained revenue related to forecasted inputs of our hardware systems, we believe that including the $10.2 million revenue constraint from the first quarter of 2023 into non-GAAP gross profit enhances the comparability to our non-GAAP gross profit in prior periods. We are expected to receive, pursuant to such purchase orders, final consideration of at least approximately $34.0 million. We recorded the full cost of hardware revenue for these indexed contracts in the first quarter of 2023.

In the first quarter of 2024, we incurred costs of $1.0 million above initially agreed prices on the acquisition of certain hardware systems from one of our suppliers, which resulted from production delays by such supplier. Because we had not previously incurred costs above initially agreed prices with a hardware supplier, we excluded this item from adjusted EBITDA and non-GAAP gross profit to better facilitate comparisons of our underlying operating performance across periods.

The following table provides a reconciliation of gross profit (loss) and margin (GAAP) to non-GAAP gross profit and margin (in millions, except for percentages):

	Three Months Ended June 30,		Six Months Ended June 30,						
	Three Months Ended September 30,		Nine Months Ended September 30,						
	2024	2024	2023	2024	2023	2024	2023	2024	2023
Revenue									
Cost of revenue									
GAAP gross profit (loss)									
GAAP gross margin (%)	GAAP gross margin (%) 28 %	13 %	(25) %	8 %	GAAP gross margin (%) 21 %	(15)%	(10)%	(3)%	
Non-GAAP Gross Profit									
Non-GAAP Gross Profit									
Non-GAAP Gross Profit									
GAAP Revenue									
GAAP Revenue									
GAAP Revenue									
Add: Revenue constraint (1)									
Add: Revenue reduction, net (2)									
Subtotal									
Subtotal									
Subtotal									
Less: Cost of revenue									
Add: Amortization of capitalized software & developed technology									
Add: Impairments									
Add: Excess supplier costs (3)									
Non-GAAP gross profit									

Non-GAAP gross margin (%)	Non-GAAP gross margin (%)	40 %	18 %	30 %	18 %	Non-GAAP gross margin (%)	46 %	12 %	34 %	15 %		

(1) Refer to the discussion of revenue constraint in "— Non-GAAP Gross Profit and Margin" above.
(2) Refer to the discussion of reduction in revenue in "— Parent Company Guarantees" above.
(3) Refer to the discussion of excess supplier costs in "— Non-GAAP Gross Profit and Margin" above.

Adjusted EBITDA

As discussed above, we believe that adjusted EBITDA is useful for investors to use in comparing our financial performance with the performance of other companies. Nonetheless, the expenses and other items that we exclude in our calculation of adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude when calculating adjusted EBITDA.

We calculate adjusted EBITDA as net (loss) income loss attributable to us before depreciation and amortization, including amortization of internally developed software, net interest expense, further adjusted to exclude stock-based compensation and other income and expense items, including the gain on extinguishment of debt, net, revenue constraint, reduction in revenue, excess supplier costs, change in fair value of derivative liability, impairment of goodwill, contract termination payment, restructuring costs and income tax provision or benefit.

The following table provides a reconciliation of adjusted EBITDA to net (loss) income loss (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2024 2023	2024	2023 2024 2023 2024 2023
			(in thousands)	
Net (loss) income	$ (582,270)	$ 19,122	$ (654,577)	$ (25,656)
Net loss	$ (148,300)	$ (77,072)	$ (802,877)	$ (102,728)
Adjusted to exclude the following:				
Depreciation and amortization (1)				
Depreciation and amortization (1)				
Depreciation and amortization (1)				
Interest expense, net				
Interest expense				
Gain on extinguishment of debt, net				
Stock-based compensation				
Revenue constraint (2)				
Revenue reduction, net (3)				
Revenue reduction, net (3)				
Revenue reduction, net (3)				
Excess supplier costs (4)				
Change in fair value of derivative liability				
Impairment of goodwill				
Impairment of goodwill				
Impairment of goodwill				
Contract termination payment (5)				
Impairment and accounts receivable write-off (6)				
Provision for income taxes				
Provision for income taxes				
Provision for income taxes				
Other expenses (5)				
Provision for (benefit from) income taxes				
Provision for (benefit from) income taxes				
Provision for (benefit from) income taxes				
Other expenses (7)				
Adjusted EBITDA				

(1) Depreciation and amortization includes depreciation and amortization expense, impairment loss of energy storage systems, impairment loss of project assets, and impairment loss of right-of-use assets.
(2) Refer to the discussion of revenue constraint in "— Non-GAAP Gross Profit and Margin" above.
(3) Refer to the discussion of reduction in revenue in "— Parent Company Guarantees" above.
(4) Refer to the discussion of excess supplier costs in "— Non-GAAP Gross Profit and Margin" above.
(5) Contract termination payment to a vendor for the delivery of hardware.

(6) Refer to the discussion of write-offs relating to parent company guarantee related arrangements in "— Impairment and Accounts Receivable Write-Off" above.

(7) Adjusted EBITDA for the six three and nine months ended June 30, 2024 September 30, 2024 reflects the exclusion of other expenses of $1.7 million. $2.5 million and $4.1 million, respectively. For the six three months ended June 30, 2024 September 30, 2024, other expenses includes $1.2 million for advisory services relating to strategy and $1.3 million in connection with separation agreements for certain of the Company's former executive officers. For the nine months ended September 30, 2024, other expenses are comprised of $0.6 million $1.2 million for advisory services relating to strategy, $1.3 million in connection with separation agreements for certain of the Company's former executive officers, $0.5 million of other non-recurring expenses, and $1.1 million for expenses related to restructuring costs to pursue greater efficiency and to realign our business and strategic priorities. Restructuring expenses consisted of employee severance and other exit costs.

Financial Results and Key Metrics

The following table presents our financial results and our key metrics (in millions, except for percentages and unless otherwise noted):

	Three Months Ended June 30,		Six Months Ended June 30,					
	Three Months Ended September 30,		Nine Months Ended September 30,					
2024	2024	2023	2024	2023	2024	2023	2024	202
Key Financial Metrics								
Key Financial Metrics								
Key Financial Metrics								
Revenue								
Revenue								
Revenue								
GAAP gross profit (loss)								
GAAP gross margin (%)	GAAP gross margin (%) 28 %	13 %	(25) %	8 %	GAAP gross margin (%) 21 %	(15) %	(10) %	(3) %
Non-GAAP gross profit								
Non-GAAP gross profit								
Non-GAAP gross profit								
Non-GAAP gross margin (%)	Non-GAAP gross margin (%) 40 %	18 %	30 %	18 %	Non-GAAP gross margin (%) 46 %	12 %	34 %	15 %
Net (loss) income								
Net loss								
Adjusted EBITDA								
Key Operating Metrics								
Key Operating Metrics								
Key Operating Metrics								
Bookings (1)								
Bookings (1)								
Bookings (1)	$ 25.4	$ 236.4	$ 49.2	$ 599.9	$ 29.1	$676.4	$78.3	$1,276.3
Contracted backlog* (2)	Contracted backlog* (2) $ 1,578.5	$ 1,364.3	$ 1,578.5	$ 1,364.3	Contracted backlog* (2) $ 1,547.4	$ 1,836.6	$ 1,547.4	$ 1,836.6
Contracted storage AUM (in GWh)*	Contracted storage AUM (in GWh)* 5.8	3.8	5.8	3.8	Contracted storage AUM (in GWh)* 6.0	5.0	6.0	5.0

Solar monitoring AUM (in GW)* (3)	Solar monitoring AUM (in GW)* (3)	26.9	26.0		26.9		26.0	Solar monitoring AUM (in GW)* (3)	28.5	26.3		28.5		26.3
CARR* (4)	CARR* (4) $	90.1	74.9	$	90.1	$	74.9	CARR* (4) $	92.3	87.5	$	92.3	$	87.5

** at period end*

(1) As described below.

(1) As described below.

(1) As described below.

(2) Total value of bookings in dollars, as reflected on a specific date. Backlog increases as new contracts are executed (bookings) and decreases as integrated storage systems are delivered and recognized as revenue.

(2) Total value of bookings in dollars, as reflected on a specific date. Backlog increases as new contracts are executed (bookings) and decreases as integrated storage systems are delivered and recognized as revenue.

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(3) Total GW of systems in operation or under contract.

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(3) Total GW of systems in operation or under contract.

(4) Contracted Annual Recurring Revenue (“CARR”): Annual run rate for all executed software services contracts including contracts signed in the period for systems that are not yet commissioned or operating.

Bookings

Due to the long-term nature of our contracts, bookings are a key metric that allows us to understand and evaluate the growth of our Company and our estimated future revenue related to customer contracts for our energy optimization services and transfer of energy storage systems. Bookings represent the accumulated value at a point in time of contracts that have been executed under both our host customer and partnership sales models.

For host customer sales, bookings represent the expected consideration from energy optimization services contracts, including estimated incentive payments that are earned by the host customer from utility companies in relation to the services provided by us and assigned by the host customer to us. For host customer sales, there are no differences between bookings and remaining performance obligations at any point in time.

For partnership sales, bookings are the sum of the expected consideration to be received from the transfer of hardware and energy optimization services (excluding any potential revenues from market participation). For partnership sales, even though we have secured an executed contract with estimated timing of project delivery and installation from the customer, we do not consider it a contract in accordance with FASB ASU 2014-09 Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), or a remaining performance obligation, until the customer has placed a binding purchase order. A signed customer contract is considered a booking as this indicates the customer has agreed to place a purchase order in the foreseeable future, which typically occurs within three (3) months of contract execution. However, executed customer contracts, without binding purchase orders, are cancellable without penalty by either party.

For partnership sales, once a purchase order has been executed, the booking is considered to be a contract in accordance with ASC 606, and therefore, gives rise to a remaining performance obligation as we have an obligation to transfer hardware and energy optimization services in our partnership agreements. We also have the contractual right to receive consideration for our performance obligations.

The accounting policy and timing of revenue recognition for host customer contracts and partnership arrangements that qualify as contracts with customers under ASC 606, are described within Note 2 — *Summary of Significant Accounting Policies*, in the accompanying notes to the consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Components of Our Results of Operations

Revenue

We generate services and other revenue and hardware revenue. Services and other revenue is mainly generated through arrangements with host customers to provide (i) energy optimization services using our proprietary software platform coupled with a dedicated energy storage system owned and controlled by us throughout (ii) asset management software (iii) the term sale of the contract. Fees project assets and advisory services. . Software fees charged to customers for energy optimization services generally consist of recurring fixed monthly payments throughout the term of the contract and in some arrangements, an installation and/or upfront fee component. We may also receive incentives from utility companies in relation to the sale of our services. Services and other revenue also includes the sale of project assets. We separately generate services revenue through partnership arrangements by providing energy optimization services after the developer completes the installation of the project.

We generate hardware revenue through partnership arrangements consisting of (i) sales of OEM energy storage system to solar plus storage project developers. systems and (ii) edge hardware devices. Performance obligations are satisfied when the energy storage system and edge hardware device along with all ancillary hardware components are delivered. The milestone payments received before the delivery of hardware are treated as deferred revenue. In certain customer contracts, we agreed to provide a guarantee that the value of purchased hardware will not decline for a certain period of time, as more fully described below under Note 3 — *Revenue*, of the Notes to the unaudited condensed consolidated financial statements in this Report.

Cost of Revenue

Cost of services and other revenue includes depreciation of the cost of energy storage systems we own under long-term customer contracts, which includes capitalized fulfillment costs, such as installation services, permitting and other related costs. Cost of services and other revenue also includes the costs for the development and constructions of project assets. Cost of revenue may also include any impairment of inventory and energy storage systems, along with system maintenance costs associated with the ongoing services provided to customers. Costs of revenue are recognized as energy optimization and other supporting services are provided to our customers throughout the term of the contract.

Cost of hardware revenue generally includes the cost of the hardware purchased from a manufacturer, shipping, delivery, and other costs required to fulfill our obligation to deliver the energy storage system to the customer location. Cost of hardware revenue may also include any impairment of energy storage systems held in our inventory for sale to our customer. Cost of hardware revenue related to the sale of energy storage systems is recognized when the delivery of the product is completed.

Gross Profit (Loss)

Our gross profit (loss) fluctuates significantly from quarter to quarter. Gross profit (loss), calculated as revenue less costs of revenue, has been, and will continue to be, affected by various factors, including fluctuations in the amount and mix of revenue and the amount and timing of investments to expand our customer base. Over the long term, we hope to increase both our gross profit in absolute dollars and gross margin as a percentage of revenue through enhanced operational efficiency and economies of scale.

Operating Expenses

Sales and Marketing

Sales and marketing expense consists of payroll and other related personnel costs, including salaries, stock-based compensation, commissions, bonuses, employee benefits, and travel for our sales and marketing personnel. In addition, sales and marketing expense includes trade show costs, amortization of intangibles and other expenses. We expect our sales and marketing expense to increase in future periods to support the overall growth in our business.

Research and Development

Research and development expense consists primarily of payroll and other related personnel costs for engineers and third parties engaged in the design and development of products, third-party software and technologies, including salaries, bonuses and stock-based compensation expense, project material costs, services and depreciation. We expect research and development expense to increase in future periods to support our growth, including our investments in optimization, accuracy and reliability of our platform and other technology improvements to support and drive efficiency in our operations. These expenses may vary from period to period as a percentage of revenue, depending primarily upon when we choose to make more significant investments.

General and Administrative Expense

General and administrative expense consists of payroll and other related personnel costs, including salaries, stock-based compensation, employee benefits and expenses for executive management, legal, finance and other costs. In addition, general and administrative expense includes fees for professional services and occupancy costs. We expect to continue to manage and reduce our general and administrative expense associated with scaling our business operations and being a public company, including compliance with the rules and regulations of the SEC, legal, audit, additional insurance expenses, investor relations activities, and other administrative and professional services.

Impairment of parent company guarantees

Account balances deemed to be uncollectible are charged to bad debt expense after all means of collection have been exhausted and the potential for recovery is considered remote.

Impairment of Goodwill

Impairment of goodwill represents impairment chargers as a result of the carrying amount being greater than the fair value.

Other (Expense) Income, Expense, Net

Interest Expense Net

Interest expense net consists primarily of interest on our outstanding borrowings under our outstanding notes payable, convertible senior notes, and financing obligations and accretion on our asset retirement obligations.

Gain on Extinguishment of Debt, Net

Gain on extinguishment of debt, net consists of income recognized in relation to the prepayment of our outstanding borrowings under our outstanding convertible notes and the write-off of any unamortized debt issuance costs associated with such notes.

Change in Fair Value of Derivative Liability

Change in fair value of derivative liability is related to the revaluation of a derivative feature within a revenue contract, whereby final settlement is indexed to the price per ton of lithium carbonate.

Other Income, Net

Other income, net consists primarily of income from equity investments and foreign exchange gains or losses.

Results of Operations for the Three Months Ended June 30, 2024 September 30, 2024 and 2023

		Three Months Ended June 30,									
		Three Months Ended September 30,		$ Change	$ Change	% Change	% Change				
	2024										
		(in thousands, except percentages)									
		(in thousands, except percentages)									
		(in thousands, except percentages)									
Revenue											
Services and other revenue											
Services and other revenue											
Services and other revenue		$ 15,103	$ 16,360	$ (1,257)		(8)%		$ 22,143		$	16,59
Hardware revenue	Hardware revenue	18,896	76,586	(57,690)		(75)%		Hardware revenue	7,148		117,1
Total revenue	Total revenue	33,999	92,946	(58,947)		(63)%		Total revenue	29,291		133,7
Cost of Revenue											
Cost of services and other revenue											
Cost of services and other revenue											
Cost of services and other revenue		10,955	11,756	(801)		(7)%		15,687			13,68
Cost of hardware revenue	Cost of hardware revenue	13,669	69,319	(55,650)		(80)%		Cost of hardware revenue	7,408		140,3
Total cost of revenue	Total cost of revenue	24,624	81,075	(56,451)		(70)%		Total cost of revenue	23,095		154,0
Gross profit (loss)	Gross profit (loss)	9,375 / 11,871	11,871	(2,496)	(2,496)	(21)%	(21)%	Gross profit (loss)	6,196		(20,29
Operating expenses:											
Sales and marketing											
Sales and marketing											
Sales and marketing		10,944 / 13,680	13,680	(2,736)	(2,736)	(20)%	(20)%	8,216		11,605	
Research and development	Research and development	15,281 / 14,156	14,156	1,125	1,125	8%	8%	Research and development	11,086		14,42
General and administrative	General and administrative	15,846 / 18,904	18,904	(3,058)	(3,058)	(16)%	(16)%	General and administrative	27,212		21,95
Impairment of goodwill		547,152	—	547,152		*					
Impairment of parent company guarantees		104,134	—	104,134		*					
Total operating expenses											
Total operating expenses											
Total operating expenses	Total operating expenses	589,223 / 46,740	46,740	542,483	542,483	1,161%	1,161%	150,648		47,980	

Loss from operations	Loss from operations	(579,848)	(34,869)	(34,869)	(544,979)		(544,979)	1,563%		1,563%	Loss from operations	(144,452)		(68,27
Other (expense) income, net:														
Interest expense, net														
Interest expense, net														
Interest expense, net		(4,631)		(3,903)		(728)			19%					
Gain on extinguishment of debt, net		—		59,121		(59,121)			*					
Other expense, net:														
Interest expense														
Interest expense														
Interest expense		(4,512)		(4,405)		(107)			2%					
Change in fair value of derivative liability														
Change in fair value of derivative liability														
Change in fair value of derivative liability	Change in fair value of derivative liability	1,477	(2,576)	(2,576)	4,053		4,053	(157)%		(157)%		—	(5,155)	
Other income, net	Other income, net	794	1,840	1,840	(1,046)		(1,046)	(57)%		(57)%	Other income, net	793		71
Total other (expense) income, net		(2,360)		54,482		(56,842)			(104)%					
(Loss) income before provision for income taxes		(582,208)		19,613		(601,821)			(3,068)%					
Provision for income taxes		(62)		(491)		429			(87)%					
Net (loss) income		$(582,270)		$ 19,122		$(601,392)			(3,145)%					
Total other expense, net		(3,719)		(8,847)		5,128			(58)%					
Loss before (provision for) benefit from income taxes		(148,171)		(77,118)		(71,053)			92%					
(Provision for) benefit from income taxes		(129)		46		(175)			(380)%					
Net loss		$(148,300)		$(77,072)		$ (71,228)			92%					

*Percentage is not meaningful

Revenue

Revenue decreased by $58.9 million $104.4 million, or 63% 78%, for the three months ended June 30, 2024 September 30, 2024, as compared to the three months ended June 30, 2023 September 30, 2023. The decrease was primarily driven by a $57.7 million $110.0 million decrease in hardware revenue primarily resulting largely from a decrease in demand for hardware systems due to extensions of certain project-related timelines including interconnection and financing related delays. Services This decrease was partially offset by an increase in services and other revenue also decreased by $1.3 million of $5.5 million primarily due to prior year decommissioning of systems. an increase in solar services subscriptions from existing and new customers.

Cost of Revenue

Cost of revenue decreased by $56.5 million $130.9 million, or 70% 85%, for the three months ended June 30, 2024 September 30, 2024, as compared to the three months ended June 30, 2023 September 30, 2023. The decrease was primarily driven by a decrease in cost of hardware revenue of $55.7 million $132.9 million due to a change in the mix of hardware and service offerings. The decrease in demand for systems and a reduction was partially offset by an increase in cost of materials as a result of improved lithium prices. Cost of services and other revenue also decreased by $0.8 million of $2.0 million, primarily due to lower higher solar cloud service costs.

Operating Expenses

Sales and Marketing

Sales and marketing expense decreased by $2.7 million $3.4 million, or 20% 29%, for the three months ended June 30, 2024 September 30, 2024, as compared to the three months ended June 30, 2023 September 30, 2023. The decrease was primarily due to a decrease of $1.1 million $2.3 million in personnel related expenses mainly from due to a decrease in stock-based compensation expense and sales commissions, and a decrease of $1.6 million $1.1 million in professional services and office-related expenses.

Research and Development

Research and development expense increased decreased by $1.1 million $3.3 million, or 8% 23%, for the three months ended June 30, 2024 September 30, 2024, as compared to the three months ended June 30, 2023 September 30, 2023. The decrease was primarily due to a decrease of $0.5 million in professional services and other expenses and a decrease of $2.8 million in personnel related expenses as a result of lower headcount.

General and Administrative

General and administrative expense increased by $5.3 million, or 24%, for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The increase was primarily driven by a one-time contract cancellation payment of $10.0 million, and an increase of $4.1 million in professional services and other expenses, partially offset by a decrease of $5.6 millionin business taxes related to state sales tax liabilities, and a decrease of $1.4 million in personnel costs driven by lower stock-based compensation expense.

Impairment of parent company guarantees

Credit losses increased by $104.1 millionduring the three months ended September 30, 2023 primarily due to an write-off of receivables related to certain customer contracts, which provided a parent company guarantee, that were deemed to be uncollectible.

Other Expense, Net

Interest Expense, Net

Interest expense increased by $0.1 million, or 2%, for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The increase was primarily driven by the accretion of the discount on short-term investments of $0.4 million, partially offset by a decrease of $0.3 million in interest on financing obligations.

Change in Fair Value of Derivative Liability

Unrealized losses relating to our derivative liability increased by $5.2 million during the three months ended September 30, 2023 due to the change in the price per ton of lithium carbonate.

Other Income, Net

Other income, net increased by $0.1 million, or 11% for the three months ended September 30, 2024, as compared to three months ended September 30, 2023 primarily due to an increase of $0.7 million $0.1 million in accrued interest income from investments.

(Provision for) Benefit from Income Taxes

During the three months ended September 30, 2024, we recorded a provision for income taxes of $0.1 million primarily as a result of foreign and state income tax expense. During the three months ended September 30, 2023, we recorded a benefit from income taxes of $46 thousand primarily as a result of income tax expense from the gain on extinguishment of debt related to the 2028 Convertible Notes during the second quarter of 2023.

Results of Operations for the Nine Months Ended September 30, 2024 and 2023

	Nine Months Ended September 30,			
	2024	2023	$ Change	% Change
	(in thousands, except percentages)			
Revenue				
Services and other revenue	$ 52,086	$ 47,630	$ 4,456	9%
Hardware revenue	36,673	246,461	(209,788)	(85)%
Total revenue	88,759	294,091	(205,332)	(70)%
Cost of revenue				
Cost of services and other revenue	36,626	36,944	(318)	(1)%
Cost of hardware revenue	60,753	264,573	(203,820)	(77)%
Total cost of revenue	97,379	301,517	(204,138)	(68)%
Gross profit (loss)	(8,620)	(7,426)	(1,194)	16%
Operating expenses:				
Sales and marketing	30,286	37,691	(7,405)	(20)%
Research and development	40,503	42,020	(1,517)	(4)%
General and administrative	61,618	58,656	2,962	5%
Impairment of parent company guarantees	104,134	—	104,134	*
Impairment of goodwill	547,152	—	547,152	*
Total operating expenses	783,693	138,367	645,326	466%
Loss from operations	(792,313)	(145,793)	(646,520)	443%
Other (expense) income, net:				
Interest expense	(13,850)	(10,085)	(3,765)	37%
Gain on extinguishment of debt, net	—	59,121	(59,121)	*

Change in fair value of derivative liability	1,477	(7,731)	9,208	(119)%
Other income, net	2,153	2,114	39	2%
Total other (expense) income, net	(10,220)	43,419	(53,639)	(124)%
Loss before provision for income taxes	(802,533)	(102,374)	(700,159)	684%
Provision for income taxes	(344)	(354)	10	(3)%
Net loss	$ (802,877)	$ (102,728)	$ (700,149)	682%

*Percentage is not meaningful

Revenue

Revenue decreased by $205.3 million, or 70%, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The decrease was driven by a $209.8 million decrease in hardware revenue primarily due to variable consideration adjustments of $38.7 million related to parent company guarantees as discussed in Note 3— *Revenue*, and a $171.1 million decrease, resulting largely from a decrease in demand for hardware systems due to certain project-related interconnection and financing delays. The decrease was partially offset by an increase in services and other revenue of $4.5 million primarily due to an increase in solar subscription services revenue from existing and new customers.

Cost of Revenue

Cost of revenue decreased by $204.1 million, or 68%, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The decrease was primarily driven by a decrease in cost of hardware revenue of $203.8 million due to a change in the mix of hardware and service offerings. Cost of services and other revenue also decreased by $0.3 million primarily due to providing services at reduced costs.

Operating Expenses

Sales and Marketing

Sales and marketing expense decreased by $7.4 million, or 20%, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The decrease was driven by a decrease of $4.1 million in professional services, resulting from reductions in advisory services, and office-related expenses as a result of marketing related subscription cancellations, and a decrease of $3.3 million in personnel related expenses due to a decrease in headcount.

Research and Development

Research and development expense decreased by $1.5 million, or 4%, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The decrease was primarily due to a decrease of $1.7 million in personnel related expenses as a result of lower headcount, partially offset by an increase of $0.2 million in professional services and other expenses.

General and Administrative

General and administrative expense increased by $3.0 million, or 5%, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The increase was primarily driven by a one-time contract termination payment of $10.0 million, an increase of $4.1 million in professional services and other expenses, and an increase of $0.4 million $2.0 million in office-related expenses, partially offset by a decrease of $2.5 million in personnel related expenses as a result of higher headcount.

General and Administrative

General and administrative expense decreased by $3.1 million, or 16%, for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023. The decrease was primarily driven by a decrease of $2.8 million in personnel costs driven by lower stock-based compensation expense, and a decrease of $0.3 million $5.6 million in office-related costs. business taxes related to state sales tax liabilities.

Impairment of parent company guarantees

Credit losses increased by $104.1 millionduring the nine months ended September 30, 2023 primarily due to an write-off of receivables related to certain customer contracts, which provided a parent company guarantee, that were deemed to be uncollectible.

Impairment of Goodwill

During the three nine months ended June 30, 2024 September 30, 2024, we recorded an impairment of goodwill of $547.2 million as the carrying amount of the reporting unit exceeded its fair value.

Other (Expense) Income, Net

Interest Expense, Net

Interest expense, net increased by $0.7 million$3.8 million, or 19% 37%, for the three nine months ended June 30, 2024 September 30, 2024, as compared to the three nine months ended June 30, 2023 September 30, 2023. The increase was primarily driven by an increase of $2.5 million in interest on our convertible notes, and the accretion of the discount on short-term investments of $0.8 million, $1.9 million, partially offset by a decrease of $0.1 million$0.6 million in interest on financing obligations.

Gain on Extinguishment of Debt, Net

During the three nine months ended June 30, 2023 September 30, 2023, we recorded a $59.4 million gain on extinguishment of debt driven by a $99.8 million payment to extinguish approximately $163.0 million aggregate principal amount of our 2028 Convertible Notes. The gain was partially offset by a $0.3 million loss on extinguishment of debt from repayment of our 2021 Credit Agreement.

Change in Fair Value of Derivative Liability

During the three months ended June 30, 2024, we realized gains of $1.5 million relating to the settlement of our derivative liability related to customers contracts, as compared to unrealized losses of $2.6 million during the three months ended June 30, 2023 due to the change in the price per ton of lithium carbonate.

Other Income, Net

Other income, net decreased by $1.0 million, or 57% for the three months ended June 30, 2024, as compared to three months ended June 30, 2023 primarily due to a decrease of $0.5 million in accrued interest income from investments and a decrease of $0.5 million in gains on sales of assets.

Provision for Income Taxes

During the three months ended June 30, 2024, we recorded a provision for income taxes of $62 thousand primarily as a result of foreign and state income tax expense. During the three months ended June 30, 2023, we recorded a provision for income taxes of $0.5 million as a result of income tax expense from the gain on extinguishment of 2028 Convertible Notes during the second quarter of 2023.

Results of Operations for the Six Months Ended June 30, 2024 and 2023

	Six Months Ended June 30,			
	2024	2023	$ Change	% Change
	(in thousands, except percentages)			
Revenue				
Services and other revenue	$ 29,943	$ 31,033	$ (1,090)	(4)%
Hardware revenue	29,525	129,318	(99,793)	(77)%
Total revenue	59,468	160,351	(100,883)	(63)%
Cost of revenue				
Cost of services and other revenue	20,939	23,260	(2,321)	(10)%
Cost of hardware revenue	53,345	124,226	(70,881)	(57)%
Total cost of revenue	74,284	147,486	(73,202)	(50)%
Gross profit (loss)	(14,816)	12,865	(27,681)	(215)%
Operating expenses:				
Sales and marketing	22,070	26,086	(4,016)	(15)%
Research and development	29,417	27,600	1,817	7%
General and administrative	34,406	36,701	(2,295)	(6)%
Impairment of goodwill	547,152	—	547,152	*
Total operating expenses	633,045	90,387	542,658	600%
Loss from operations	(647,861)	(77,522)	(570,339)	736%
Other (expense) income, net:				
Interest expense, net	(9,338)	(5,680)	(3,658)	64%
Gain on extinguishment of debt, net	—	59,121	(59,121)	*
Change in fair value of derivative liability	1,477	(2,576)	4,053	(157)%
Other income, net	1,360	1,401	(41)	(3)%
Total other (expense) income, net	(6,501)	52,266	(58,767)	(112)%
(Loss) income before provision for income taxes	(654,362)	(25,256)	(629,106)	2,491%
Provision for income taxes	(215)	(400)	185	(46)%
Net (loss) income	$ (654,577)	$ (25,656)	$ (628,921)	2451%

*Percentage is not meaningful

Revenue

Revenue decreased by $100.9 million, or 63%, for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The decrease was driven by a $99.8 million decrease in hardware revenue primarily due to variable consideration adjustments of $33.1 million related to parent company guarantees as discussed in Note 3—*Revenue*, and a $66.7 million decrease primarily the result of a decrease in demand for hardware systems and extensions of certain project-related timelines. Services and other revenue decreased by $1.1 million primarily due to a decrease in solar subscription services revenue from existing and new customers.

Cost of Revenue

Cost of revenue decreased by $73.2 million, or 50%, for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The decrease was primarily driven by a decrease in cost of hardware revenue of $70.9 million due to a reduction in cost of materials as a result of improved lithium prices and a change in the mix of hardware and service offerings. Cost of services and other revenue also decreased by $2.3 million primarily due to providing services at reduced costs.

Operating Expenses

Sales and Marketing

Sales and marketing expense decreased by $4.0 million, or 15%, for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The decrease was due to a decrease of $2.9 million in professional services, mainly from a decrease in advisory services, and office-related expenses as a result of marketing related subscription cancellations, and a decrease of $1.1 million in personnel related expenses due to a decrease in headcount.

Research and Development

Research and development expense increased by $1.8 million, or 7%, for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The increase was due to an increase of $1.2 million in personnel related expenses as a result of higher headcount and an increase of $0.7 million in professional services and other expenses.

General and Administrative

General and administrative expense decreased by $2.3 million, or 6%, for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The decrease was primarily driven by a decrease of $1.2 million in personnel related expenses drive by a decrease in stock-based compensation expense and a decrease of $1.1 million in office-related expenses.

Impairment of Goodwill

During the six months ended June 30, 2024, we recorded an impairment of goodwill of $547.2 million as the carrying amount of the reporting unit exceeded its fair value.

Other (Expense) Income, Net

Interest Expense, Net

Interest expense, net increased by $3.7 million, or 64%, for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The increase was primarily driven by an increase of $2.5 million in interest on our convertible notes, and the accretion of the discount on short-term investments of $1.5 million, partially offset by a decrease of $0.3 million in interest on financing obligations.

Gain on Extinguishment of Debt, Net

During the six months ended June 30, 2023, we recorded a $59.4 million gain on extinguishment of debt driven by a $99.8 million payment to extinguish approximately $163.0 million aggregate principal amount of our 2028 Convertible Notes. The gain was partially offset by a $0.3 million loss on extinguishment of debt from repayment of our 2021 Credit Agreement.

Change in Fair Value of Derivative Liability

During the six nine months ended June 30, 2024 September 30, 2024, we realized gains of $1.5 million relating to the settlement of our derivative liability related to customers contracts, as compared to unrealized losses of $2.6 million $7.7 million during the six nine months ended June 30, 2023 September 30, 2023 due to the change in the price per ton of lithium carbonate.

Other Income, Net

Other income, net of $1.4 2.2 million for the six nine months ended June 30, 2024 September 30, 2024, was consistent with the six nine months ended June 30, 2023 September 30, 2023.

(Provision for for) Benefit from Income Taxes

During the six nine months ended June September 30, 2024, we recorded a provision for income taxes of $0.2 million $0.3 million primarily as a result of state income tax expense. During the six nine months ended June 30, 2023 September 30, 2023, we recorded a $0.4 million provision for income taxes primarily as a result of foreign and state income tax expense from the gain on extinguishment of debt related to our 2028 Convertible Notes during the second quarter of 2023, which was offset by a partial release of our deferred tax asset valuation due to an acquisition during the first quarter of 2023.

Liquidity and Capital Resources

Sources of Liquidity

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service, acquisitions, contractual obligations and other commitments. We assess liquidity in terms of our cash flows from operations and their sufficiency to fund our operating and investing activities. To meet our payment service obligations, we must have sufficient liquid assets and be able to move funds on a timely basis. Significant factors in the management of liquidity are funds generated from operations, levels of accounts receivable and accounts payable and capital expenditures.

As of June 30, 2024 September 30, 2024, our principal sources of liquidity were cash and cash equivalents of $89.6 million $75.4 million, which were held for working capital purposes and for investment growth opportunities. As of June 30, 2024 September 30, 2024, we had net accounts receivable of $206.4 million $92.7 million and our working capital, which we define as current assets less current liabilities, was $143.3 million $20.5 million. We believe that our cash position is sufficient to meet our capital and liquidity requirements for at least the next 12 months.

Our business prospects are is subject to risks, expenses, and uncertainties frequently encountered by companies in the early stages of commercial operations. The attainment of profitable operations is dependent upon future events, including successfully implementing our new business strategy, hiring and retaining our key executives and personnel with the requisite experience to develop our software and AI-based solutions, obtaining adequate financing to complete our development activities, obtaining developing an adequate supplier relationships, network of suppliers, and building our customer base, successfully executing our business and marketing strategy and hiring appropriate personnel. base. Failure to successfully implement our new business strategy, generate sufficient revenues from our software and services offerings, achieve planned gross margins and operating profitability, control operating costs, or secure additional funding may require us to modify, delay, or abandon some of our planned future expansion or development, or to otherwise enact operating cost reductions available to management, which could have a material adverse effect on our business, operating results, and financial condition.

In the future, we may be required to obtain additional equity or debt financing in order to support our continued capital expenditures and operations, which may not be available on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, this could reduce our ability to compete successfully and harm our business, growth and results of operations.

Our long-term liquidity requirements are linked primarily to the continued extension expansion of our software and services offerings in connection with the implementation of our new business strategy. of the Athena platform and supporting applications, including Athena PowerTrack and the use of our balance sheet to improve the terms and conditions associated with the purchase of energy storage systems from our hardware vendors. While we have plans to potentially expand our geographical footprint beyond our current partnerships and enter into joint ventures, those are not required initiatives to achieve our plans.

Financing Obligations

We have entered into arrangements wherein we finance the cost of energy storage systems via special purpose entities ("SPEs") we establish with outside investors. These SPEs are not consolidated into our financial statements, but are accounted for as equity method investments. The investors provide us upfront payments through the SPEs. Under these arrangements, the payment by the SPEs to us is accounted for as a borrowing by recording the proceeds received as a financing obligation. The financing obligation is repaid with the future customer payments and incentives received. A portion of the amounts paid to the SPE is allocated to interest expense using the effective interest rate method. Furthermore, we continue to account for the revenues from customer arrangements and incentives and all associated costs despite such systems being legally sold to the SPEs due to our significant continuing involvement in the operations of the energy storage systems. The total financing obligation as of June 30, 2024 September 30, 2024 was $62.5 $59.7 million, of which $15.1 $15.0 million was classified as a current liability.

2028 Green Convertible Senior Notes

On November 22, 2021, we sold to Morgan Stanley & Co. LLC, Goldman Sachs & Co. LLC and Barclays Capital Inc, as initial purchasers (the "2021 Initial Purchasers"), and the 2021 Initial Purchasers purchased from us, $460.0 million aggregate principal amount of our 2028 Convertible Notes, pursuant to a purchase agreement dated as of November 17, 2021, by and between us and the 2021 Initial Purchasers. Our net proceeds from this offering were approximately $445.7 million, after deducting the 2021 Initial Purchasers' discounts and commissions and the estimated offering expenses payable by us. The 2028 Convertible Notes will accrue interest payable semi-annually in arrears and will mature on December 1, 2028, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, we may choose to pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock. The 2028 Convertible Notes are redeemable for cash at our option at any time given certain conditions. Refer to Note 8 — *Convertible Notes*, of the Notes to the unaudited condensed consolidated financial statements in this Report for additional details regarding this transaction.

On November 17, 2021, in connection with the pricing of the 2028 Convertible Notes, and on November 19, 2021, in connection with the exercise in full by the 2021 Initial Purchasers of their option to purchase additional 2028 Convertible Notes, we entered into capped call transactions with certain of the 2021 Initial Purchasers of the 2028 Convertible Notes to minimize the potential dilution to our common stockholders upon conversion of the 2028 Convertible Notes. We used approximately $66.7 million of the net proceeds from the 2028 Convertible Notes to pay the cost of the capped call transactions described above. We intend to allocate an amount equivalent to the net proceeds from this offering to finance or refinance, in whole or in part, our existing or new eligible green expenditures, including investments related to creating a more resilient clean energy system, optimized software capabilities for energy systems, and reducing waste through operations.

On April 3, 2023, we used approximately $99.8 million of the net proceeds from the issuance of the 4.25% Green Convertible Senior Notes due 2030 ("2030 Convertible Notes") to purchase and surrender for cancellation approximately $163.0 million in aggregate principal amount of our 2028 Convertible Notes. See Note 8 — *Convertible Notes,* of the Notes to the unaudited condensed consolidated financial statements in this Report for additional details regarding this transaction.

2030 Convertible Notes

On April 3, 2023, we issued $240.0 million aggregate principal amount of our 2030 Convertible Notes in a private placement offering to qualified institutional buyers (the "2023 Initial Purchasers") pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2030 Convertible Notes are senior, unsecured obligations of the Company and bear interest at a rate of 4.25% per year, payable in cash semi-annually in arrears in April and October of each year, beginning in October 1, 2023. The 2030 Convertible Notes will mature on April 1, 2030, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, we may choose to pay or deliver cash, shares of common stock or a combination of cash and shares of common stock. The 2030 Convertible Notes are redeemable for cash at our option at any time given certain conditions. See Note 8 — *Convertible Notes*, of the Notes to the unaudited condensed consolidated financial statements in this Report, for additional details regarding this transaction.

Our net proceeds from this offering were approximately $232.4 million, after deducting for $7.6 million of debt issuance costs primarily consisting of underwriters, advisory, legal, and accounting fees. We used approximately $99.8 million of the net proceeds to purchase and surrender for cancellation approximately $163.0 million aggregate principal amount of our 2028 Convertible Notes.

On March 29, 2023 and March 31, 2023, in connection with the pricing of the 2030 Convertible Notes, and on April 3, 2023, in connection with the exercise in full by the 2023 Initial Purchasers of their option to purchase additional 2030 Convertible Notes, we entered into Capped Calls (the "2030 Capped Calls") with certain counterparties. We used $27.8 million of the net proceeds from the 2030 Convertible Notes to pay the cost of the 2030 Capped Calls.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Six Months Ended June 30,	Nine Months Ended September 30,

	2024	2024	2023	2024	2023
Net cash used in operating activities					
Net cash provided by investing activities					
Net cash (used in) provided by investing activities					
Net cash (used in) provided by financing activities					
Effect of exchange rate changes on cash, cash equivalents and restricted cash					
Net increase in cash, cash equivalents and restricted cash					
Net (decrease) increase in cash, cash equivalents and restricted cash					

Operating Activities

During the six nine months ended June 30, 2024 September 30, 2024, net cash used in operating activities was $12.5 $21.9 million, primarily due to our net loss of $654.6 $802.9 million, adjusted for non-cash items of $586.7 $708.4 million and net cash inflow of $55.4 $72.5 million from changes in operating assets and liabilities. Non-cash items primarily consisted of depreciation and amortization of $22.2 $33.2 million, non-cash interest expense of $1.0 $1.6 million related to debt issuance costs, stock-based compensation expense of $15.2 $21.7 million, non-cash lease expense of $1.5 $2.3 million, impairment of energy storage systems of $0.1 $0.4 million, impairment of right-of-use assets of $2.1 million, impairment and accounts receivable write-off of $104.1 million, impairment of goodwill of $547.2 million, a reversal of provision for accounts receivable allowance of $3.2 million, and other non-cash items of $0.4 $0.7 million, partially offset by a change in fair value of derivative liability of $1.5 million, and a provision for accounts receivable allowance of $1.5 million. The net cash inflow from changes in operating assets and liabilities was primarily driven by a decrease in accounts receivable of $97.8 $106.9 million, partially from a $33.1 million variable consideration adjustment, a decrease in deferred costs with suppliers of $0.4 $5.3 million, a decrease in other assets of $0.7 $7.1 million, and an increase in deferred revenue of $4.3 $21.5 million, partially offset by an increase in inventory of $6.5 $7.3 million, an increase in contract origination costs of $0.7 $0.9 million, an increase in project assets of

$10.8 $7.4 million, a decrease in accounts payable of $14.9 $30.7 million, a decrease in accrued expenses and other liabilities of $13.3 $19.9 million, and a decrease in lease liabilities of $1.5 $2.2 million.

During the six nine months ended June 30, 2023 September 30, 2023, net cash used in operating activities was $201.2 million $205.2 million, primarily due to resulting from our net loss of $25.7 $102.7 million, adjusted by for non-cash charges of $10.8 $17.9 million and net cash outflow of $164.8 million $120.3 million from changes in operating assets and liabilities. Non-cash charges items primarily consisted of depreciation and amortization of $33.6 million, non-cash interest expense of $2.0 million, related to debt issuance costs, stock-based compensation expense of $28.3 million, change in fair value of derivative liability of $7.7 million, non-cash lease expense of $2.2 million, impairment of energy storage systems of $2.3 million, provision for accounts receivable allowance of $1.8 million, and net recognized loss on investments of $1.6 million, partially offset by a net gain on extinguishment of debt net of $59.1 million, net accretion of the discount on investments of $1.3 $1.7 million, an income tax benefit of $0.3 million, and other non-cash items of $0.4 million, partially offset bydepreciation and amortization of $22.4 million, non-cash interest expense of $1.6 million, related to debt issuance costs, stock-based compensation expense of $17.1 million, change in fair value of derivative liability of $2.6 million, impairment of energy storage systems of $2.1 million, non-cash lease expense of $1.4 million, provision for accounts receivable allowance of $1.7 million, and net recognized loss on investments of $1.6 million. $0.5 million. The net cash outflow from changes in operating assets and liabilities was primarily driven by an increase in accounts receivable of $72.2 million $67.0 million, an increase in inventory of $137.1 $57.3 million to fulfill future deliveries, an increase in other assets of $17.8 $17.9 million, an increase in contract origination costs of $2.3 $4.2 million, an increase in project assets of $2.8 million, a decrease in accrued expenses and other liabilities of $35.1 million $28.9 million, and a decrease in lease liabilities of $1.3 million $2.1 million, partially offset by a decrease in deferred costs with suppliers of $28.8 $30.6 million, for future hardware orders, an increase in accounts payable of $19.0 million due to the timing of payments, $1.8 million, and an increase in deferred revenue of $56.0 $27.6 million.

Investing Activities

During the six nine months ended June 30, 2024 September 30, 2024, net cash provided by used in investing activities was $1.5 $0.8 million, and primarily consisted of $8.3 million in proceeds from maturities of available-for-sale investments, partially offset by $6.6 $8.9 million in capital expenditures on related to internally-developed software, and $0.2 million in purchases of property and equipment. equipment, partially offset by $8.3 million in proceeds from maturities of available-for-sale investments.

During the six nine months ended June 30, 2023 September 30, 2023, net cash provided by investing activities was $88.5 $120.3 million, and primarily consisted of $100.6 $135.5 million in net sales of available-for-sale investments, partially offset by $1.8 million used for an acquisition, net of cash acquired, $2.6 $2.9 million in purchases of energy systems, $7.4 $10.1 million in capital expenditures on related to internally-developed software, and $0.3 $0.4 million in purchases of property and equipment.

Financing Activities

During the six nine months ended June 30, 2024 September 30, 2024, net cash used in financing activities was $4.2 $6.9 million, and primarily consisted of the repayment of financing obligations of $4.2 $7.0 million.

During the six nine months ended June 30, 2023 September 30, 2023, net cash provided by financing activities was $100.3 $95.1 million, and primarily consisted of net proceeds from the issuance of convertible notes of $132.6 million and proceeds from the exercise of stock options of $0.2 $0.3 million, partially offset by the purchase of capped calls of $27.8 million, the repayment of financing obligations of $2.6 $7.8 million, a repayment of notes payable of $2.1 million, and a redemption of non-controlling interests of $0.1 million.

Contractual Obligations and Commitments

As of June 30, 2024 September 30, 2024, except for the operating lease liability as discussed in Note 12 — *Commitments and Contingencies,* there have been no material changes to our contractual obligations described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements, including guarantee contracts, retained or contingent interests, or unconsolidated VIEs that either have, or would reasonably be expected to have, a current or future material adverse effect on our unaudited condensed consolidated financial statements.

Critical Accounting Policies and Estimates

A summary of our critical accounting policies and estimates is presented in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and there have been no material changes to our critical accounting estimates during the three and six nine months ended June 30, 2024 September 30, 2024.

Recent Accounting Pronouncements

As of June September 30, 2024, there have been no material changes to the recent accounting pronouncements described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk affecting us, see Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. Our exposure to market risk has not changed materially since December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures ("Disclosure Controls") within the meaning of Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Our Disclosure Controls are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our Disclosure Controls are also designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Interim Chief Executive Officer ("Interim CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Based on management's evaluation (under the supervision and with the participation of our Interim CEO and our CFO) of the effectiveness of the design and operation of our Disclosure Controls as of June 30, 2024 September 30, 2024, our Interim CEO and CFO have concluded that our Disclosure Controls were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the second third quarter of 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Internal Controls

Our management, including our Interim CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Furthermore, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in business conditions or deterioration in the degree of compliance with policies or procedures.

Part II - Other Information

ITEM 1. LEGAL PROCEEDINGS

The information with respect to this Item 1 is set forth under Note 12 — *Commitments and Contingencies,* of the Notes to the unaudited condensed consolidated financial statements in this Report.

ITEM 1A. RISK FACTORS

There Except as set forth below, there have been no material changes to the risk factors disclosed in Part 1, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

We may not be able to successfully implement our recently announced new strategy. Our failure to do so could adversely affect our business, financial condition, and results of operations.

On October 1, 2024, we announced the outcome of a strategic review of our business. That review identified, among other things, the need to transition from a business model reliant on hardware resales to a software- and services-focused approach. While we believe this shift is critical to our long-term growth and profitability, the successful implementation of this strategy is subject to numerous risks and uncertainties.

Our total hardware revenue in the first three quarters of fiscal year 2024 and fiscal year 2023 were $36.7 million and $246.5 million, which comprised 41% of our total revenue in the first three quarters of fiscal year 2024 and 84% of our total revenue in fiscal year 2023, respectively. Our transition away from hardware resales is expected to lead to decreased revenue in the short term, as we work to adjust our revenue streams and reconfigure our customer base. This decline in revenue could strain our cash flow and temporarily worsen our cash position, which in turn may limit our ability to invest in the necessary technologies, talent, and infrastructure required to fully implement the new strategy. If we are unable to generate sufficient cash flow or secure additional funding, we may experience delays in executing our new strategy, which could have a material adverse affect on our business, financial condition, and results of operations.

This transition will entail significant operational changes, including reduction of what has historically been the source of most of our revenue (battery resales), adjustments to the way we develop and market our products and services, and realignment of our business processes. These changes could lead to reduced revenue, increased costs and disruptions in our operations, which may negatively impact our ability to effectively scale the software and services segments of our business and achieve our financial and operational targets. Failure to successfully and timely implement these changes may have a material adverse effect on our business, financial condition, and results of operations.

Customer acceptance of our software and service offerings is also critical to the success of our new strategy. Existing customers may not adopt our new offerings at the rate we expect, and new customers may not be attracted to our software-based solutions. If market demand for the types of AI-driven clean energy software and services we are developing and will seek to develop in the future does not grow as anticipated, or if competitors offer more attractive products, our revenue growth and market position could be adversely affected. As with all software offerings, there is also a risk that our solutions could be vulnerable to cybersecurity threats or contain errors, bugs, or other issues affecting their functionality, which could negatively affect customer satisfaction and adoption.

In addition, executing on the new strategy requires investment in new capabilities and resources, particularly in software development, data management, and AI. We may face challenges in recruiting, retaining, and training employees who have the necessary skill sets to support our new business model. A failure to build or acquire these capabilities in a timely manner could delay the successful execution of the strategy and weaken our competitive position.

We may fail to qualify for continued listing on the NYSE, which could make it more difficult for our stockholders to sell their shares.

Our common stock is listed on the NYSE under the symbol “STEM.” We are required to satisfy the continued listing requirements of the NYSE to maintain such listing, including, among other things, the maintenance of a certain average closing price of our common stock.

On August 28, 2024, we received formal notice from the NYSE that we were not in compliance with Section 802.01C of the NYSE Listed Company Manual because the average closing price of our shares of common stock had fallen below $1.00 per share over a period of 30 consecutive trading days. We subsequently notified the NYSE of our intent to regain compliance with the requirements of Section 802.01C. We are able to regain compliance at any time within the six-month period following receipt of the notice if, on the last trading day of any calendar month during this cure period (or the last trading day of this cure period), we have a closing share price of at least $1.00 and an average closing share price of at least $1.00 over the prior 30 trading-day period. If we do not regain compliance with Section 802.01C within such cure period, the NYSE may commence delisting proceedings.

There can be no assurance that we will be able to regain compliance with the NYSE’s continued listing requirements. If our stock price does not increase, we may not be able to meet the standards for continued listing on the NYSE within the compliance period. In the event that we do not regain compliance with the NYSE continued listing standards, we could face material adverse consequences, including:

- a limited availability of market quotations for our common stock;
- an adverse effect on the market price of our common stock;
- loss of confidence from stakeholders, employees and potential business partners;
- reduced liquidity with respect to our common stock;
- a determination that our shares are a “penny stock,” which will require brokers trading in our shares to adhere to more stringent rules, and which may limit demand for our common stock among certain investors;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(c) *Trading Plans*. During the three months ended June 30, 2024 September 30, 2024, no Section 16 officer or director of the Company adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c), or any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K promulgated under the Exchange Act).

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation, dated April 28, 2021 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on May 4, 2021).
3.2	Amended and Restated Bylaws, dated October 27, 2022 (incorporated by reference to Exhibit 3 to the Current Report on Form 8-K filed on October 31, 2022).
10.1 10.1*	Stem, Inc. 2024 Equity Incentive Plan (incorporated Separation and Release of Claims Agreement dated September 21, 2024, by reference to Exhibit 10.1 to and between the Registration Statement on Form S-8 filed on May 29, 2024.
10.2*	Form of Stock Option Agreement under the Stem, Inc. 2009 Equity Incentive Plan
10.3*	Form of Stock Option Agreement under the Stem, Inc. 2021 Equity Incentive Plan
10.4*	Form of Stock Option Agreement under the Stem, Inc. 2024 Equity Incentive Plan Company and Prakesh Patel.
31.1*	Certification of Interim Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Interim Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of 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	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

***Filed herewith**
****Furnished herewith**

SIGNATURE

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 on August 6, 2024 October 30, 2024.

STEM, INC.

By: /s/ William Bush Spencer Doran Hole

William Bush Spencer Doran Hole
Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT 10.2 10.1

STEM, INC. Execution Copy

2009 EQUITY INCENTIVE PLAN STOCK OPTION

SEPARATION AND RELEASE OF CLAIMS AGREEMENT

Unless otherwise defined herein,

This Separation and Release of Claims Agreement (as may be amended, the terms "***Agreement***") constitutes a binding agreement between Prakesh Patel ("***Executive***"), an individual, and the Company (as defined in the 2009 Equity Incentive Plan (the "Plan") shall have the same defined meanings in this Stock Option Agreement (the "Option Agreement").

I. <u>NOTICE OF STOCK OPTION GRANT</u>

Name:

The undersigned Participant has been granted an Option to purchase Common Stock next paragraph), effective as of the Effective Date (as defined below). Executive and the Company subject are collectively referred to as the "***Parties***" or individually referred to as a "***Party***."

Executive is advised to consult with an attorney concerning its terms. By signing below, Executive is agreeing to the terms described below in return for the payments and conditions of the Plan and this Option Agreement, as follows:

Date of Grant:

Exercise Price per Share:

Total Number of Shares Granted: benefits provided herein.

Type of Option: Incentive Stock Option (ISO)

Nonstatutory Stock Option (NSO)

Term/Expiration Date:

Vesting Schedule:

This Option shall be exercisable, in whole or in part, according to the following vesting schedule, subject to such Participant's Continuous Service through each applicable vesting date:

Please refer to Appendix: Vesting Schedule

Termination Period:

Vested Option shall be exercisable for three (3) months after Participant's Continuous Service ceases, unless such cessation is due to Participant's death or Disability, in which case this Option shall be exercisable for twelve (12) months after Participant's Continuous Service ceases. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Term/Expiration Date as provided above and this Option may be subject to earlier termination as provided in the Plan.

II. AGREEMENT

1. Grant of Option. The Administrator of the Company hereby grants to the Participant named in the Notice of Stock Option Grant in Part I For purposes of this Agreement, ("Participant") (a) "***Company***" means Stem, Inc. a Delaware corporation, for and on behalf of its Affiliates, including without limitation, Stem US Operations Inc., an option (the "Option") a Delaware corporation; (b) "***Affiliate***" means, with respect to purchase any Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the number Person in question. As used herein, the term "control" means (a) direct or indirect beneficial ownership of Shares set forth 50% or more of the voting securities or voting interest of a Person or, in the Notice case of Stock Option Grant, at the exercise price per Share set forth in the Notice a limited partnership, of Stock Option Grant (the "Exercise Price"), and subject to the terms and conditions 50% or more of the Plan, general partnership interest, either directly or through an entity which is incorporated herein by reference. Subject the Person controls or (b) the possession of the power to direct the management of a Person, whether through contract or otherwise; and (c) "***Person***" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or governmental authority.

RECITALS

-1- WHEREAS, Executive was the Chief Strategy Officer of Stem, Inc.; and

WHEREAS, Executive and the Company previously entered into that certain Executive Employment Agreement, dated as of April 28, 2021 (the "***Employment Agreement***"); and

WHEREAS, Section 4.1 of the Employment Agreement provides that, in the event of a "Covered Termination" (as defined in Sections 1.6 and 1.9 therein), Executive will be entitled to receive the severance benefits described in Section 4.1(a) thereof, provided that Executive (A) delivers an effective general release of all claims against the Company and its Affiliates in a form provided by the Company, and that becomes effective and irrevocable within sixty (60) days following the Covered Termination and (B) continues to comply with Articles V through VII of the Employment Agreement; and

WHEREAS, the Parties agree that the termination of Executive's employment with the Company is a "Covered Termination" as defined in the Employment Agreement; and

WHEREAS, Executive's employment with the Company terminated on August 6, 2024.

NOW, THEREFORE, in exchange for the mutual covenants and conditions contained herein, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

Section 18

1. **Last Day of Employment; Payments and Benefits**. Executive's last day of employment with the Company and its Affiliates was August 6, 2024, effective 11:59 p.m. Pacific Time (the "***Separation Date***"). As of the Plan, Separation Date, Executive resigned from any and all corporate offices, directorships, powers of attorney, committee memberships, and any and all other corporate roles with the Company. All of Executive's health insurance benefits ceased effective as of 12:01 a.m. Pacific Time on August 31, 2024, subject to Executive's right to continue his health insurance under COBRA as set forth below. Executive's participation in all benefits and incidents of employment, including, but not limited to, the accrual of bonuses, vacation and paid time off, ceased as of the Separation Date.

Provided that Executive (1) signs this Agreement at or within twenty-one (21) days after receiving it and does not revoke it under Section 5 below and (2) continues to comply with Articles V through VII of the Employment Agreement, the Company will provide Executive the severance payments and benefits pursuant to Section 4.1(a) of the Employment Agreement, as further described in this Section 1.

a. The Company shall pay to Executive any accrued but unpaid base salary and other accrued and unpaid compensation, including any accrued but unpaid vacation. In addition, the Company shall pay to Executive a sum of $281,250, being equal to nine (9) months of Executive's annual base salary in effect on the Separation Date, less applicable withholdings, such net amount to be payable in a lump sum payment as soon as administratively practicable following the Effective Date and, in any event, no later than the sixtieth (60th) day following the Separation Date.

b. Company shall pay Executive a pro-rata portion of Executive's annual incentive bonus, based on a conflict between target opportunity of 65% of Executive's base salary in effect on the terms Separation Date (the "***Annual Bonus***") for the 2024 fiscal year, based on actual achievement of the applicable bonus objectives and conditions determined by the Board of Directors of Stem, Inc. (the "***Board***") or a committee of the Plan and this Option Agreement, Board for such year (determined by multiplying the terms and conditions amount of the Plan shall prevail.

If designated in Annual Bonus that would be payable for the Notice full fiscal year by a fraction, the numerator of Stock Option Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the $100,000 rule of Code Section 422(d), this Option which shall be treated as a Nonstatutory Stock Option ("NSO"). Further, if for any reason this Option (or portion thereof) shall not qualify as an ISO, then, equal to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event shall the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

2. Exercise of Option.

(a) Right to Exercise. This Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option shall be exercisable by delivery of an exercise notice (the "Exercise Notice") in a manner and pursuant to such procedures as the Company may determine, which shall state the election to exercise the Option, the number of Shares with respect days during the fiscal year of termination that Executive is employed by, and performing services for, the Company and the denominator of which is 365 days), at the same time bonuses for such year are paid to which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment senior executives of the aggregate Exercise Price as Company, but in no event later than March 15, 2025.

c. Subject to all Exercised Shares, together with any applicable tax withholding. This Option shall be deemed to be exercised upon receipt by Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***"), the Company of such fully executed Exercise Notice accompanied by shall directly pay, or reimburse Executive for the aggregate Exercise Price, together with any applicable tax withholding.

No Shares shall be issued premium for Executive and Executive's covered dependents to maintain continued health coverage pursuant to the exercise provisions of an Option unless such issuance COBRA through the earlier of (A) the 12-month anniversary of the Separation Date and such exercise comply with applicable laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Participant on (B) the date on which Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under Executive's new employer's plan(s). Notwithstanding the Option foregoing, if the Company is exercised with respect otherwise unable to such Shares.

3. Clawback Policy. Participant hereby acknowledges that if he or she is covered by the Company's policy on recoupment of certain incentive-based compensation, as amended from time continue to time (the "Clawback Policy"), such policy may result in the recoupment cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Options awarded hereunder, any Common Stock delivered hereunder, and any profits realized on the sale of such Common Stock Public Health Service Act), then, in either before, on or after the date on which Participant becomes subject case, an amount equal to such policy. each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments.

In addition, by acceptance the Company shall pay Executive $40,000, representing full and final settlement of this award, Participant agrees any reimbursement that any prior awards that Executive may have been issued to him or her pursuant to the Plan or any other incentive plan of the Company are subject to the Clawback Policy.

4. Lock-Up Period. Participant hereby agrees that Participant shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Stock (or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences

-2- entitled during his employment.

Such payment will be made on the next payroll cycle following the Effective Date. Executive acknowledges and represents that, other than the consideration set forth in Section 1 above and in the first sentence of ownership this paragraph, the Company has paid or provided all salary, wages, bonuses, accrued vacation/paid time off, premiums, leaves, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Executive.

2. **Treatment of RSUs and Options**.

a. All outstanding and unvested restricted stock units ("***RSU***s") as of the Separation Date previously issued to Executive by the Company will be cancelled and forfeited automatically.

b. All outstanding stock options that remain unvested as of the Separation Date will be cancelled and forfeited automatically. Except for the Excluded Options (as defined below), all stock options previously issued to Executive that are vested as of the Separation Date will be exercisable for five (5) years from the Separation Date, or the remainder of the exercise period applicable to such vested option, whichever period is shorter, notwithstanding, to the extent applicable, the terms of the Stem, Inc. 2021 Equity Incentive Plan (the "***2021 Plan***"), the Stem, Inc., 2024 Equity Incentive Plan, and applicable award agreements. "***Excluded Options***" means (i) the stock options issued to Executive in May 2021 (exercise price of $25.34), and which are vested as of the Separation Date (the "***2021 Options***")); (ii) the stock options issued to Executive in March 2022 (exercise price of $9.33), and which are vested as of the Separation Date (the "***2022 Options***"); and (iii) the stock options issued to Executive in February 2023 (exercise price of $10.25), and which are vested as of the Separation Date (the "***2023 Options***"). For the sake of clarity, the parties agree that the 2021 Options, the 2022 Options and the 2023 Options shall remain subject to Section 5(g) of the 2021 Plan and therefore be exercisable for three (3) months following the Separation Date.

3. **No Consideration Absent Execution and Delivery of this Agreement**. Executive acknowledges that Executive was presented with a substantially final draft of the Agreement on August 6, 2024. Executive also acknowledges and agrees that the receipt of any Common Stock (or other securities) monies or benefits as set forth herein (including in Section 1 hereof) are subject to the Company's receipt of an executed Agreement no later than September 19, 2024. After such date, this Agreement, shall be null and void if the Company held by Participant (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company executed Agreement is not to exceed one hundred and eighty (180) days following the effective date of any registration statement of the Company filed under the Securities Act (or such other period as may be requested received by the Company or if it is revoked under Section 5 hereof.

4. **General Release of Claims**. Executive, individually, and on behalf of Executive's heirs, executors, administrators, successors, and assigns (collectively referred to throughout the underwriters to accommodate regulatory restrictions on (i) remainder of this Agreement as "***Executive***") knowingly and voluntarily releases and forever discharges Company, its Affiliates, predecessors, insurers, divisions, successors and assigns and the publication or other distribution of research reports current and (ii) analyst recommendations former employees, attorneys, officers, directors and opinions, including, but not limited to, the restrictions contained agents thereof both individually and in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto).

Participant agrees to execute their business capacities, and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, Participant shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 4 shall not apply to a registration relating solely to their employee benefit plans on Form S-1 and programs and their administrators and fiduciaries (collectively referred to throughout the remainder of this Agreement as "***Company Releasees***"), of and from any and all disputes, differences, claims, complaints, grievances, charges, obligations, actions, petitions, and demands or Form S-8 or similar forms causes of action (collectively, "***Claims***") may lawfully be released by private agreement, known and unknown, that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred and eighty (180) day (or other) period. Participant agrees that any transferee of the Option or shares acquired pursuant to the Option shall be bound by this Section 4.

5. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Participant:

(a) cash;

(b) check;

(c) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or

(d) surrender of other Shares which (i) shall be valued at its Fair Market Value on the date of exercise, and (ii) must be owned free and clear of any liens, claims, encumbrances or security interests, if accepting such Shares, in the sole discretion of the Company, shall not result in any adverse accounting consequences to the Company.

6. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable law.

7. Non-Transferability of Option.

(a) This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by

-3-

Participant. The terms

Executive has or may have against Company Releasees as of the Plan date of Executive's execution of this Agreement, including, but not limited to:

- any and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns all Claims arising out of Participant.

8. Term of Option. This Option may be exercised only within the term set out or relating in the Notice of Stock Option Grant, and may be exercised during such term only in accordance any way to Executive's employment relationship with the Plan Company and its Affiliates and the terms termination of this Option Agreement. that relationship;

9. • Change in Control.

(a) At the time of a Change in Control (as defined in the Plan), if this Option is not assumed any and all Claims relating to, or otherwise continued in effect in connection with the Change in Control (or is not replaced with an economically equivalent award or cash incentive program), then the unvested portion of this Option will immediately vest and become exercisable prior to the closing of the Change in Control. Any Shares issued upon exercise of this Option shall be converted into the arising from, Executive's right to receive, for each such Share, the same consideration per Share payable to the other stockholders purchase, or Executive's actual purchase of shares of stock of the Company, upon consummation including, without limitation, any claims for fraud, misrepresentation, breach of that Change fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

- any and all Claims for wrongful discharge of employment, termination in violation of public policy, discrimination, harassment, retaliation, breach of contract (both express and implied), breach of covenant of good faith and fair dealing (both express and implied), promissory estoppel, negligent or intentional infliction of emotional distress, fraud, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment, conversion, and disability benefits;

- any and all Claims for violation of any federal, state, or municipal statute, regulation, or foreign constitution, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Equal Pay Act, the Fair Labor Standards Act, the Fair Credit Reporting Act, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Executive Retirement Income Security Act of 1974, the Worker Adjustment and Retraining Notification Act, the Family and Medical Leave Act, the Sarbanes-Oxley Act of 2002, the Immigration Control and such consideration per Share shall be distributed to Participant as soon as administratively practicable thereafter, but in no event later than Reform Act, the Affordable Care Act, the California Family Rights Act, the California Labor Code, the California Workers' Compensation Act, and the California Fair Employment and Housing Act;
- later of (i) the close any and all Claims for violation of the calendar year in which such Change in Control occurs federal or (ii) any state constitution;

- any and all Claims arising out of any other laws and regulations relating to employment or employment discrimination;

- any Claim for any loss, cost, damage, or expense arising out of any dispute over the fifteenth (15th) day non-withholding or other tax treatment of any of the third (3rd) calendar month following the date of such Change in Control.

(b) Any portion of this Option that is to be assumed or otherwise continued in effect in connection with the Change in Control (or is to be replaced with an economically equivalent award or cash retention program) shall be subject to accelerated vesting in accordance with the following provision:

  - If Participant's Employee status is unilaterally terminated proceeds received by Executive as a result of an involuntary termination (other than this Agreement; or

- any allegation for death costs, fees, or Disability) without Cause, or if Participant resigns from such Employee status due to Constructive Termination, at any time during other expenses including attorneys' fees incurred in these matters.

Executive agrees that the period beginning with the execution date of the definitive agreement for that Change Agreement set forth in Control transaction this Section 4 shall be and ending with the earlier of (i) the termination of that definitive agreement without the consummation of such Change remain in Control or (ii) the expiration of the Applicable Acceleration Period following the consummation of such Change in Control, then Participant shall immediately vest effect in all respects as a complete general release as to the unvested portion matters released. This Agreement shall not extend to any Claim or cause of action to enforce (1) any obligations incurred under this Option (or Agreement, (2) any replacement securities vested rights Executive has under the employee benefit plans, programs or cash proceeds) at the time subject to this Award. The Shares (or any replacement securities or cash proceeds) that are issuable upon exercise of this Option shall be issued or distributed on the date of Participant's separation from the Company in connection with such termination of Employee status or as soon as administratively practicable thereafter, but in no event later than the ***later*** of (i) the close of the calendar year in which such separation occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such separation.

  - "Applicable Acceleration Period" means: (i) 24 months, in the case of the Company's Chief Executive Officer, (ii) 18 months, in the case of any other executive officer policies of the Company and (iii) 12 months, its affiliates, as in the case of all other grantees of Options, or (in the cases of (i), (ii), and (iii)) such other period(s) effect as may be determined by the Administrator on the basis of Participant's status on the Change in Control date.

  - "Constructive Termination" means the occurrence of any of the date hereof; (3) any indemnification rights to which Executive is entitled under the Company's governing documents, by contract, or law; or (4) Executive's rights following events or conditions: (i) (A) a change in the Participant's status, title, position or responsibilities date hereof with respect to any vested equity awards as of the date hereof. This Agreement is not intended to release any Claims, that the Executive is

(including reporting responsibilities) which represents an adverse change from

not free to release on his or her own accord. Executive waives participation, to the Participant's status, title, position extent permitted by law, in any class or responsibilities collective action, as in effect immediately either a class or collective action representative or participant as to those claims not released, by signing this Agreement prior to the execution conditional certification of the definitive agreement for the Change a class or collective action. This Agreement does not waive participation in Control transaction a class or at any time within the Applicable Acceleration Period after collective action certified prior to the date of the Executive's signature if the Executive meets the requirements for the defined class or collective class.

Executive represents that he has made no assignment or transfer of any right, claim, complaint, charge, duty, obligation, demand, cause of action, or other matter waived or released by this Section 4.

5. **Acknowledgment of Waiver of Claims under ADEA**. Executive expressly acknowledges and agrees that by entering into this Agreement, he is waiving and releasing any and all rights or Claims that Executive may have under the Age Discrimination in Employment Act of 1967 (the "***ADEA***"), and that this Agreement is knowing and voluntary. Executive agrees that this Agreement does not apply to any rights or claims that may arise under the ADEA after the Effective Date. Executive acknowledges that the consideration given hereunder for this Agreement is in addition to anything of value to which Executive was already entitled to receive prior to entering into this Agreement. Executive further acknowledges that Executive has been advised is advised by this writing that: (a) Executive should consult with an attorney prior to executing this Agreement; (b) Executive was given a Change copy of this Agreement on August 6, 2024, and has been given at least twenty-one (21) calendar days within which to consider whether to sign it; (c) if Executive accepts this Agreement, he has seven (7) calendar days following his execution hereof to revoke it; (d) this Agreement will not be effective until after the revocation period has expired; and (e) nothing in Control; (B) this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the assignment validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Executive signs this Agreement and returns it to the Participant Company in fewer than the 21-calendar day period identified above, Executive hereby acknowledges that he has freely and voluntarily chosen to waive the time period allotted for considering this Agreement. Executive acknowledges and understands that revocation must be accomplished by a written notification to the Chief People Officer of Stem, Inc. via email and received on or before the 7th calendar day following execution of this Agreement. In the event Executive timely revokes acceptance of this Agreement, the Company shall have no obligation to pay, or otherwise deliver to Executive, any duties part of the consideration hereunder. The Parties agree that changes, whether material or responsibilities which are inconsistent immaterial, do not restart the running of the 21-calendar day period.

6. **California Civil Code Section 1542.** Executive acknowledges that he has been advised to consult with legal counsel and is familiar with the Participant's status, title, position or responsibilities provisions of California Civil Code Section 1542, a statute that otherwise prohibits the release of unknown claims, which provides as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control; or (C) any removal of the Participant from or failure to reappoint or reelect the Participant to any of the offices or positions held by the Participant immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control, except in connection with the termination of the Participant for Cause, as a result of the Participant's Disability or death or by the Participant other than as a result of Constructive Termination; (ii) a reduction in the Participant's annual base compensation or any failure to pay the Participant any compensation or benefits to which the Participant is entitled within five days of the date due; (iii) the Company's requiring the Participant to relocate to any place outside a 50 mile radius of the location serving as Participant's principal work site immediately prior to the execution of the definitive agreement for the Change in Control transaction or during the Applicable Acceleration Period after the date of a Change in Control, except for reasonably required travel on the business of the Company which is not materially greater than such travel requirements in effect during the applicable measurement period determined above; (iv) the failure by the Company to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material compensation or employee benefit plan in which the Participant was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control, unless such plan is replaced with a plan that provides substantially equivalent compensation or benefits to the Participant, or (B) provide the Participant with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided the Participant under each other employee benefit plan, program and practice in which he or she was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any within the Applicable Acceleration Period after the Change in Control; (v) any material breach by the Company of any provision of an agreement between the Company and the Participant, whether pursuant to this Plan or otherwise, other than a breach which is cured by the Company within 15 days following notice by the Participant of such breach; or (vi) the failure of the Company to obtain an agreement, satisfactory to the Participant, from any successors and assigns to assume and agree to perform the obligations created under the Plan.

10. Tax Obligations. follows:

-5- A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT, IF KNOWN BY HIM OR HER WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

(a) 7. **<u>Tax Withholding</u>** **<u>Affirmations</u>. Participant agrees** Executive affirms that Executive has not filed, caused to make appropriate arrangements with be filed, and is not currently a party to, any claim, complaint, or action against any Company Releasees in any forum or form. If the Company (or the parent or Subsidiary employing or retaining Participant) for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Participant aforementioned is not accurate, Executive acknowledges and agrees that such claims, complaints or actions, to the extent permitted by law, may be waived by this Agreement, and Company advises Executive to consult with an attorney prior to executing this Agreement. Executive furthermore affirms that Executive has no known workplace injuries or occupational diseases.

Executive affirms that all of the Company's decisions regarding Executive's pay and benefits through the Separation Date were not discriminatory based on age, disability, race, color, sex, sexual orientation, gender, gender identity, gender expression, pregnancy, marital status, veteran status, religion, national origin, ancestry, mental or physical disability, medical condition, denial of family and medical care leave, or any other classification protected by law.

Executive affirms that, with respect to any portion of Executive's compensation or benefits that are based on hours worked, Executive affirms that Executive has accurately reported and been paid for all hours worked and has received all compensation, wages, bonuses, commissions and benefits which are due and payable as of the date of Executive's execution of this Agreement.

Executive further affirms that Executive has not been retaliated against for reporting any allegations of wrongdoing by Company or its officers, including any allegations of corporate fraud. Executive understands that Company has relied upon Executive's representations herein.

8. **Consideration and Post-Employment Covenants.** For the consideration provided to Executive in this Agreement, Executive (1) agrees to continue to comply with Article V (Proprietary Information and Confidentiality Obligations) and Article VI (Section 6.3 only) of the Employment Agreement. Article V (Proprietary Information and Confidentiality Obligations) and Article VI (Section 6.3 only) are incorporated herein by reference as if set out in full, and (2) also agrees to be bound by the following covenants:

a. *Return of Property*. No later than September 25, 2024, if not sooner, Executive shall deliver to the Company all (and will not keep in Executive's possession or control, and will not recreate or deliver to anyone else, any) Confidential Information, as well as all other devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, customer or client lists or information, or any other documents or property (including all reproductions of the aforementioned items) belonging to the Company or any of its Affiliates or ventures, regardless of whether such items were prepared by Executive. Executive's signature below constitutes Executive's certification under penalty of perjury that Executive will return all documents and other items provided to Executive by the Company or any of its Affiliates, developed or obtained by Executive in connection with his employment with the Company, or otherwise belonging to the Company. Executive understands that the Company, in its sole discretion, may refuse choose to honor delay any payments due to Executive under this Agreement unless and until Executive complies with this paragraph, but such delay shall not relieve Executive of Executive's other obligations under this Agreement or Executive's release of claims. The obligations in this Section 8(a) are in addition to Executive's obligations set forth in Section 5 of that certain At-Will Employment, Confidential Information, Invention Assignment

and Arbitration Agreement previously executed by and between Executive and Stem, Inc. (the "***PIAA***"). Executive agrees that Executive will continue to comply with the exercise and refuse to deliver PIAA.

b. *Nonsolicitation.* For the Shares if such withholding amounts are period of 12 months following the Separation Date (the "***Restricted Period***"), Executive will not delivered directly or indirectly, for the benefit of another business, recruit, hire, solicit, or assist others in recruiting, hiring, or soliciting any person, who is, at the time of exercise. the recruiting, hiring, or solicitation, an employee of the Company to leave the employment of the Company, or work for a competing business. This restriction will be limited to persons: (1) with whom Executive had contact or business dealings while employed by Company; (2) who worked in Executive's business unit; or (3) about whom Executive had access to confidential information. If Executive resides in California at the time this Agreement is entered into, then the forgoing restriction shall not be applicable to Executive if it would restrain Executive from "engaging in a lawful profession, trade, or business of any kind" as such is interpreted under Cal. Bus. & Prof. Code §16600. However, conduct involving misappropriation of Company trade secrets will remain prohibited and nothing in this Agreement shall be construed to limit or eliminate any rights or remedies the Company would have against Executive under trade secret law, unfair competition law, or other laws applicable in California absent this Agreement, if Executive uses trade secrets or other protected confidential information to help a competitor solicit an employee of the Company.

(b)c. *Notice of Disqualifying Disposition of ISO Shares**Nondisparagement*. IfExecutive covenants that he shall not, directly or indirectly, whether in writing, orally or electronically, make any false negative, derogatory or other comment with knowledge of their falsity or with reckless disregard for their truth or falsity that could reasonably be expected to be detrimental to the Option grantedCompany or any of its Affiliates, their business or operations, or to Participant hereinany of its or their current or former employees, officers or directors. Notwithstanding the foregoing, nothing in this Agreement prevents Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Executive has reason to believe is unlawful. The Company shall not, directly or indirectly, whether in writing, orally or electronically, make any false negative, derogatory or other comment with knowledge of their falsity or with reckless disregard for their truth or falsity that could reasonably be expected to be detrimental to Executive. Executive understands that the Company's obligations under this paragraph (c) extend only to the Company's current executive officers and members of its Board of Directors and only for so long as each officer or member is an ISO,employee or Director of the Company.

d. Executive agrees that these restrictions are reasonable in light of the consideration given. Executive was given an opportunity to review these restrictions, advised to consult with an attorney, and if Participant sellsagreed to these restrictions as an agreement ancillary to Executive's agreement to protect the Company Confidential Information, which was made in exchange for the Company's provision of confidential information, as well as its agreement to the additional benefits provided in Section 1. The Company is relying on Executive's commitment to comply with the restrictions set forth in this Section 8 in agreeing to pay the consideration set forth in Section 1 and this commitment is ancillary to Executive's agreement to protect the Company's confidential information. Executive acknowledges that in the event of a breach by Executive of these restrictive covenants, the covenants may be enforced by temporary restraining order, preliminary or temporary injunction and permanent injunction, in addition to any other remedies that may be available by law. In that connection, Executive acknowledges that in the event of a breach, the Company may suffer irreparable injury for which there is no adequate legal remedy, in

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part because damages caused by the breach may be difficult to prove with any reasonable degree of certainty.

e. *Reasonable Cooperation*. Beginning on the Separation Date and for twelve (12) months thereafter, Executive agrees that Executive will reasonably cooperate with and assist the Company, its subsidiaries and Affiliates, and any of their respective officers, directors, shareholders or employees: (A) concerning requests for information about the business of the Company or its subsidiaries or Affiliates or Executive's involvement and participation therein (including but not limited to requests and subpoenas to provide information or testimony); (B) in connection with any investigation or review by the Company or any federal, state or local regulatory, quasi-regulatory or self-governing authority as any such investigation or review relates to events or occurrences that transpired while Executive were employed by the Company; and (C) with respect to transition and succession matters. Executive's cooperation shall include, but not be limited to (taking into account Executive's personal and professional obligations, including those to any new employer or entity to which Executive provide services), being available to meet and speak with officers or employees of the Company and/or the Company's counsel at reasonable times and locations, executing accurate and truthful documents, and taking such other actions as may reasonably be requested by the Company and/or the Company's counsel to effect the foregoing. Executive shall be entitled to reimbursement from the Company, upon receipt by the Company of suitable documentation, for reasonable and necessary travel and other expenses which Executive may incur on such matters at the specific request of the Company and as approved by the Company in advance and in accordance with its policies and procedures established from time to time.

f. *LinkedIn and Social Media Profiles*. Executive agrees that within five (5) days of the Effective Date, Executive will update his LinkedIn and other social media profiles as necessary to reflect that he no longer works for Stem.

9. **Confidentiality of Agreement.**Except as (a) otherwise required by law or regulation or permitted by Section 10 below, Executive agrees to maintain in complete confidence the existence of this Agreement, the contents and terms of this Agreement, and the consideration for this Agreement (hereinafter collectively referred to as "***Separation Information***"). Except as required by law, Executive may disclose Separation Information only to his immediate family members, the Court in any proceedings to enforce the terms of this Agreement, Executive's attorney(s), and Executive's accountant and any professional tax or financial advisor to the extent that they need to know the Separation Information in order to provide advice on tax treatment or to prepare tax returns and must prevent disclosure of any Separation Information to all other third parties. Executive agrees that he will not publicize, directly or indirectly, any Separation Information.

10. **Protected Activity Not Prohibited**. Executive understands that nothing in this Agreement shall in any way limit or prohibit Executive from engaging for a lawful purpose in any Protected Activity. For purposes of this Agreement, "***Protected Activity***" means disclosing, discussing, or making truthful statements about sexual harassment or sexual assault disputes, or any other unlawful or unsafe Company conduct or practices; filing a charge or complaint, or otherwise disposescommunicating, cooperating, or participating with, any state, federal, or other governmental agency, including the Securities and Exchange Commission, the Equal Employment Opportunity Commission, and the National Labor Relations Board regarding any possible violations of law. However, to the maximum extent permitted by law, Executive agrees that

Executive is waiving rights to individual relief (including backpay, frontpay, reinstatement or other legal or equitable relief) in any charge, complaint, or lawsuit or other proceeding brought by Executive or on Executive's behalf by any third party, except for any right Executive may have to receive a payment or award from a government agency (and not the Company) for information provided to the government agency or otherwise where prohibited. Notwithstanding any restrictions set forth in this Agreement, Executive understands that he is not required to obtain authorization from the Company prior to disclosing information to, or communicating with, such agencies, nor is Executive obligated to advise the Company as to any such disclosures or communications. Notwithstanding, in making any such disclosures or communications, Executive agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Company Confidential Information to any parties other than the relevant government agencies. Executive further understands that "Protected Activity" does not include the disclosure of any Company attorney-client privileged communications, and that any such disclosure without the Company's written consent shall constitute a material breach of this Agreement. Executive understands that pursuant to 18 USC § 1833(b), an individual may not be held criminally or civilly liable under any federal or state trade secret law for disclosure of a trade secret: (a) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; and/or (b) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

11. **No Cooperation**. Executive agrees that he will not knowingly counsel, or assist any attorneys or their clients in the presentation or prosecution of any Claims by any third party against any of the Shares acquired pursuant Company Releasees, unless under a subpoena or other court order to do so or as related directly to the ISO on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Participant shall ADEA waiver in this Agreement. Executive agrees both to immediately notify the Company in writing upon receipt of any such subpoena or court order, and to furnish, within three (3) business days of its receipt, a copy of such disposition. Participant subpoena or other court order. If approached by anyone for counsel or assistance in the presentation or prosecution of any Claims against any of the Company Releasees, Executive shall state no more than that he cannot provide counsel or assistance. Nothing in this Agreement, including this section and Section 8 above, shall be construed as requiring Executive to cooperate with the Company with respect to any charge or litigation in which Executive is a plaintiff or complaining party, or any confidential investigation by a competent government agency in which Executive is a witness for or providing support to a charging or complaining party or are asked by a Government Agency to maintain confidentiality.

12. **Governing Law and Venue; Reformation; Severability.** This Agreement shall be construed, interpreted, and enforced in accordance with the laws of the State of California, without regard to its choice of law principles. Venue for any dispute(s) arising from or related to this Agreement shall lie solely, and is convenient, in San Francisco County, California. Executive consents to the choice of law and venue provisions of this Agreement and agrees that Participant Executive will not contest these provisions in any future proceeding(s).

In the event Executive breaches any provision of this Agreement**,** Executive and Company affirm that Company may institute an action to specifically enforce any term or terms of this Agreement. The Company's right to injunctive relief is in addition to any rights otherwise

available to the the Company, and the parties agree such injunctive relief may be subject obtained without the necessity of posting any bond.

Should any provision of this Agreement be declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to income tax withholding be enforceable, excluding the general release language, such provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

13. **Breach**. In addition to the rights provided in the "Attorneys' Fees" section below, Executive acknowledges and agrees that any material breach of this Agreement, unless such breach constitutes a legal action by Executive challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, or the confidentiality provisions hereof shall entitle the Company immediately to recover and cease providing the consideration provided to Executive under this Agreement and to obtain damages, except as provided by law.

14. **Attorneys' Fees**. Except with regard to a legal action challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, in the event that either Party brings an action to enforce or effect its rights under this Agreement, the prevailing Party shall be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees incurred in connection with such an action.

15. **No Admission of Liability**. Executive understands and acknowledges that this Agreement constitutes a compromise and settlement of any and all actual or potential disputed Claims by Executive. No action taken by the Company on hereto, either previously or in connection with this Agreement, shall be deemed or construed to be (a) an admission of the compensation income recognized truth or falsity of any actual or potential Claims or (b) an acknowledgment or admission by Participant. the Company or any of the other Company Releasees of any fault or liability whatsoever to Executive or to any third party, or (c) an admission by the Company or any other of the Company Releasees that they engaged in any wrongful or unlawful act or that the Company or any other Releasee violated any federal or state law or regulation.

11. 16. **Amendment**. This Agreement may not be modified, altered or changed except in writing and signed by both Parties wherein specific reference is made to this Agreement.

17. **Entire Agreement; Governing Law Agreement**. The Plan is incorporated herein by reference. The Plan This Agreement, Articles V through VII of the Employment Agreement, and this Option Agreement constitute the PIAA set forth the entire agreement of between the parties Parties with respect to the subject matter hereof, and supersede in their entirety all fully supersedes any prior undertakings agreements or understandings between the Parties, except any agreement between Executive and Company (including Company's Affiliates) containing restrictions relating to patents, confidential information, intellectual property, solicitation, or competition. Executive acknowledges that he has not relied on any representations, promises or agreements of any kind made to him/her in connection with the decision to accept this Agreement except for those set forth in this Agreement. If there is any conflict between this Agreement and the PIAA, this Agreement shall control. If there is any conflict between Articles V through VII of the Employment Agreement and this Agreement, Articles V through VII of the Employment Agreement shall control.

18. **Notices**. Any notice, request, instruction, correspondence or other document to be given hereunder by either Party to the other shall be sufficient if in writing and

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delivered in person or by courier service (with proof of receipt of delivery); mailed by certified mail, first-class postage prepaid and return receipt requested; or by confirmed electronic mail, as follows:

If to the Company: c/o Stem Inc.
4 Embarcadero Center, Suite 710 San Francisco, CA 94111 Attention: Chief People Officer kim.homenock@stem.com

If to Executive: Prakesh Patel
Address: [*at address on file with the Company*]

Notice given by personal delivery, courier service or mail shall be effective upon actual receipt. Notice given by email shall be effective when sent by confirmed electronic mail if sent during normal business hours of the recipient (9:00 a.m. to 5:00 p.m., recipient's local time), if not, then on the next business day. Either Party may change any address to which notice is to be given to it by giving written notice as provided above of such change of address, and Participant such notice shall be deemed to have been delivered as of the date so telecommunicated, personally delivered or mailed. Either Party may notify the other Party of any changes to the address or any of the other details specified in this paragraph; *provided*, *however*, that such notification shall only be effective on the date specified in such notice or five (5) business days after the notice is given, whichever is later. Rejection or other refusal to accept or the inability to deliver because of changed address of which no prior written notice was given shall be deemed to be receipt of the notice as of the date of such rejection, refusal or inability to deliver.

19. **Right to Revoke; Effective Date**. Within seven (7) days following execution of this Agreement, Executive may revoke acceptance of this Agreement by delivering written notification via email to Kim Homenock. If Executive revokes his acceptance within this seven-day revocation period, no payments or benefits described in this Agreement will be provided to Executive. This Agreement shall not become effective until the eighth (8th) day after Executive signs, without revoking, this Agreement (the "***Effective Date***"). No payments or other benefits due to Executive under this Agreement shall be made or begin before the Effective Date.

20. **Binding Effect and Assignment**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns; but neither this Agreement nor any of the rights, benefits or obligations hereunder shall be assigned, by operation of law or otherwise, by any party hereto without the prior written consent of the other party; *provided*, *however*, that Company may assign its rights and obligations hereunder to any Affiliate, and Executive specifically consents to such future assignment. Nothing in this Agreement, express or implied, is intended to confer upon any person or entity other than

the parties hereto and their respective permitted successors and assigns, any rights, benefits or obligations hereunder.

21. **Costs**. The Parties shall each bear their own costs, attorneys' fees, and other fees incurred in connection with the preparation of this Agreement.

22. **ARBITRATION**. THE PARTIES AGREE THAT ANY AND ALL DISPUTES ARISING OUT OF THE TERMS OF THIS AGREEMENT, THEIR INTERPRETATION, AND ANY OF THE MATTERS HEREIN RELEASED, SHALL BE SUBJECT TO ARBITRATION IN SAN FRANCISCO COUNTY, BEFORE JUDICIAL ARBITRATION & MEDIATION SERVICES ("***JAMS***"), PURSUANT TO ITS EMPLOYMENT ARBITRATION RULES & PROCEDURES ("***JAMS RULES***"). THE ARBITRATOR MAY GRANT INJUNCTIONS AND OTHER RELIEF IN SUCH DISPUTES. THE ARBITRATOR SHALL ADMINISTER AND CONDUCT ANY ARBITRATION IN ACCORDANCE WITH CALIFORNIA LAW, INCLUDING THE CALIFORNIA CODE OF CIVIL PROCEDURE, AND THE ARBITRATOR SHALL APPLY SUBSTANTIVE AND PROCEDURAL CALIFORNIA LAW TO ANY DISPUTE OR CLAIM, WITHOUT REFERENCE TO ANY CONFLICT-OF- LAW PROVISIONS OF ANY JURISDICTION. TO THE EXTENT THAT THE JAMS RULES CONFLICT WITH CALIFORNIA LAW, CALIFORNIA LAW SHALL TAKE PRECEDENCE. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE, AND BINDING ON THE PARTIES TO THE ARBITRATION. THE PARTIES AGREE THAT THE PREVAILING PARTY IN ANY ARBITRATION SHALL BE ENTITLED TO INJUNCTIVE RELIEF IN ANY COURT OF COMPETENT JURISDICTION TO ENFORCE THE ARBITRATION AWARD. THE PARTIES TO THE ARBITRATION SHALL EACH SHARE THE COSTS AND EXPENSES OF SUCH ARBITRATION, AND EACH PARTY SHALL SEPARATELY PAY FOR ITS RESPECTIVE COUNSEL FEES AND EXPENSES; PROVIDED, HOWEVER, THAT THE ARBITRATOR SHALL AWARD ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY, EXCEPT AS PROHIBITED BY LAW. THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHT TO HAVE ANY DISPUTE BETWEEN THEM RESOLVED IN A COURT OF LAW BY A JUDGE OR JURY. NOTWITHSTANDING THE FOREGOING, THIS SECTION WILL NOT PREVENT EITHER PARTY FROM SEEKING INJUNCTIVE RELIEF (OR ANY OTHER PROVISIONAL REMEDY) FROM ANY COURT HAVING JURISDICTION OVER THE PARTIES AND THE SUBJECT MATTER OF THEIR DISPUTE RELATING TO THIS AGREEMENT AND THE AGREEMENTS INCORPORATED HEREIN BY REFERENCE. SHOULD ANY PART OF THE ARBITRATION AGREEMENT CONTAINED IN THIS PARAGRAPH CONFLICT WITH ANY OTHER ARBITRATION AGREEMENT BETWEEN THE PARTIES, THE PARTIES AGREE THAT THIS ARBITRATION AGREEMENT SHALL GOVERN.

23. **Tax Consequences.** The Company makes no representations or warranties with respect to the subject matter hereof, tax consequences of the payments and may not be modified adversely any other consideration provided to Executive or made on his/her behalf under this Agreement. Executive agrees and understands that he is responsible for payment, if any, of local, state, and/or federal taxes on the Participant's interest except by means of a writing signed payments and any other consideration provided hereunder by the Company and Participant. This Option any penalties or assessments thereon. Executive further agrees to indemnify and hold the Company harmless from any Claims, deficiencies, penalties, interest, assessments, executions, judgments, or recoveries by any government agency against the Company or any of its Affiliates for any amounts claimed due on account of (a) Executive's failure to pay or delayed payment of federal or state taxes, or (b)

damages sustained by the Company or any of its Affiliates by reason of any such claims, including attorneys' fees and costs.

24. **Section 409A**. It is intended that this Agreement comply with, or be exempt from, Code Section 409A and the final regulations and official guidance thereunder ("Section 409A") and any ambiguities herein will be interpreted to so comply and/or be exempt from Section 409A. Each payment and benefit to be paid or provided under this Agreement is governed by intended to constitute a series of separate payments for purposes of Section 1.409A-2(b)(2) of the internal substantive laws but not Treasury Regulations. The Company and Executive will work together in good faith to consider either (a) amendments to this Agreement; or (b) revisions to this Agreement with respect to the choice payment of law rules any awards, which are necessary or appropriate to avoid imposition of California. any additional tax or income recognition prior to the actual payment to Executive under Section 409A. In no event will the Company reimburse Executive for any taxes that may be imposed on Executive as a result of Section 409A.

12. 25. **No Guarantee of Continued Service** **Counterparts**. PARTICIPANT ACKNOWLEDGES This Agreement and other documents to be delivered pursuant to this Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy and all of which, when taken together, will be deemed to constitute one and the same agreement or document, and will be effective when counterparts have been signed by each of the Parties and delivered to the other Party. Each Party agrees that the electronic signatures, whether digital or encrypted, of the Parties included in this Agreement are intended to authenticate this writing and to have the same force and effect as manual signatures. Delivery of a copy of this Agreement or any other document contemplated hereby, bearing an original manual or electronic signature by facsimile transmission (including a facsimile delivered via the Internet), by electronic mail in "portable document format" (".pdf") or similar format intended to preserve the original graphic and pictorial appearance of a document, or through the use of electronic signature software will have the same effect as physical delivery of the paper document bearing an original signature.

EMPLOYEE HAS BEEN ADVISED THAT HE HAS TWENTY-ONE (21) CALENDAR DAYS TO CONSIDER THIS AGREEMENT, AND HAS BEEN ADVISED IN WRITING TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTION OF THIS AGREEMENT.

EMPLOYEE AGREES THAT ANY MODIFICATIONS, MATERIAL OR OTHERWISE, MADE TO THIS AGREEMENT DO NOT RESTART OR AFFECT IN ANY MANNER THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL 21-DAY CONSIDERATION PERIOD.

EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS CAREFULLY READ AND FULLY UNDERSTANDS ALL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT PROVISIONS OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT AGREEMENT.

HAVING ELECTED TO EXECUTE THIS AGREEMENT, TO FULFILL THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE PROMISES SET FORTH HEREIN, DO NOT CONSTITUTE AN EXPRESS AND TO RECEIVE THEREBY THE SUMS AND BENEFITS SET FORTH IN SECTION 1 ABOVE, EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS AGREEMENT INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS EMPLOYEE HAS OR IMPLIED PROMISE MIGHT HAVE AGAINST COMPANY.

EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS BEEN INFORMED OF CONTINUED ENGAGEMENT HIS/HER RIGHT TO REVOKE THIS AGREEMENT FOR A PERIOD OF SEVEN DAYS FOLLOWING EXECUTION HEREOF AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE DESCRIBED IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE. SECTION 5 HEREOF.

[*signature page follows*]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the dates set forth below their respective signatures, but effective as of the Effective Date set forth herein.

STEM, INC.

By:Name: Kim Homenock
Title: Chief People Officer

Date:

Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

Signature:

Print Name:

Title:

Appendix: Vesting Schedule

Date	Quantity

EXHIBIT 10.3

STEM, INC.

2021 EQUITY INCENTIVE PLAN STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the 2021 Equity Incentive Plan (the “Plan”) shall have the same defined meanings in this Stock Option Agreement (the “Option Agreement”).

I. <u>NOTICE OF STOCK OPTION GRANT</u>

Name:

The undersigned Participant has been granted an Option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant:

Exercise Price per Share:

Total Number of Shares Granted:

Type of Option: Incentive Stock Option (ISO)

Nonstatutory Stock Option (NSO)

Term/Expiration Date:

Vesting Schedule:

This Option shall be exercisable, in whole or in part, according to the following vesting schedule, subject to such Participant's Continuous Service through each applicable vesting date:

Please refer to Appendix: Vesting Schedule

Termination Period:

Vested Option shall be exercisable for three (3) months after Participant's Continuous Service ceases, unless such cessation is due to Participant's death or Disability, in which case this Option shall be exercisable for twelve (12) months after Participant's Continuous Service ceases. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Term/Expiration Date as provided above and this Option may be subject to earlier termination as provided in the Plan.

II. AGREEMENT

1. Grant of Option. The Administrator of the Company hereby grants to the Participant named in the Notice of Stock Option Grant in Part I of this Agreement ("Participant"), an option (the "Option") to purchase the number of Shares set forth in the Notice of Stock Option Grant, at the exercise price per Share set forth in the Notice of Stock Option Grant (the "Exercise Price"), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to

Section 18 of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Stock Option Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the $100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option ("NSO"). Further, if for any reason this Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event shall the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

2. Exercise of Option.

(a) Right to Exercise. This Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option shall be exercisable by delivery of an exercise notice (the "Exercise Notice") in a manner and pursuant to such procedures as the Company may determine, which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares, together with any applicable tax withholding. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with applicable laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Participant on the date on which the Option is exercised with respect to such Shares.

3. Clawback Policy. Participant hereby acknowledges that if he or she is covered by the Company's policy on recoupment of certain incentive-based compensation, as amended from time to time (the "Clawback Policy"), such policy may result in the recoupment of the Options awarded hereunder, any Common Stock delivered hereunder, and any profits realized on the sale of such Common Stock either before, on or after the date on which Participant becomes subject to such policy. In addition, by acceptance of this award, Participant agrees that any prior awards that have been issued to him or her pursuant to the Plan or any other incentive plan of the Company are subject to the Clawback Policy.

4. Lock-Up Period. Participant hereby agrees that Participant shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Stock (or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences

of ownership of any Common Stock (or other securities) of the Company held by Participant (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed one hundred and eighty (180) days following the effective date of any registration statement of the Company filed under the Securities Act (or such other period as may be requested by the Company or the underwriters to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto).

Participant agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, Participant shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 4 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred and eighty (180) day (or other) period. Participant agrees that any transferee of the Option or shares acquired pursuant to the Option shall be bound by this Section 4.

5. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Participant:

(a) cash;

(b) check;

(c) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or

(d) surrender of other Shares which (i) shall be valued at its Fair Market Value on the date of exercise, and (ii) must be owned free and clear of any liens, claims, encumbrances or security interests, if accepting such Shares, in the sole discretion of the Company, shall not result in any adverse accounting consequences to the Company.

6. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable law.

7. Non-Transferability of Option.

(a) This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by

Participant. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of Participant.

8. Term of Option. This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

9. Change in Control.

(a) At the time of a Change in Control (as defined in the Plan), if this Option is not assumed or otherwise continued in effect in connection with the Change in Control (or is not replaced with an economically equivalent award or cash incentive program), then the unvested portion of this Option will immediately vest and become exercisable prior to the closing of the Change in Control. Any Shares issued upon exercise of this Option shall be converted into the right to receive, for each such Share, the same consideration per Share payable to the other stockholders of the Company upon consummation of that Change in Control, and such consideration per Share shall be distributed to Participant as soon as administratively practicable thereafter, but in no event later than the *later* of (i) the close of the calendar year in which such Change in Control occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such Change in Control.

(b) Any portion of this Option that is to be assumed or otherwise continued in effect in connection with the Change in Control (or is to be replaced with an economically equivalent award or cash retention program) shall be subject to accelerated vesting in accordance with the following provision:

- If Participant's Employee status is unilaterally terminated as a result of an involuntary termination (other than for death or Disability) without Cause, or if Participant resigns from such Employee status due to Constructive Termination, at any time during the period beginning with the execution date of the definitive agreement for that Change in Control transaction and ending with the earlier of (i) the termination of that definitive agreement without the consummation of such Change in Control or (ii) the expiration of the Applicable Acceleration Period following the consummation of such Change in Control, then Participant shall immediately vest in all the unvested portion of this Option (or any replacement securities or cash proceeds) at the time subject to this Award. The Shares (or any replacement securities or cash proceeds) that are issuable upon exercise of this Option shall be issued or distributed on the date of Participant's separation from the Company in connection with such termination of Employee status or as soon as administratively practicable thereafter, but in no event later than the ***later*** of (i) the close of the calendar year in which such separation occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such separation.
- "Applicable Acceleration Period" means: (i) 24 months, in the case of the Company's Chief Executive Officer, (ii) 18 months, in the case of any other executive officer of the Company, and (iii) 12 months, in the case of all other grantees of Options, or (in the cases of (i), (ii), and (iii)) such other period(s) as may be determined by the Administrator on the basis of Participant's status on the Change in Control date.
- "Constructive Termination" means the occurrence of any of the following events or conditions: (i) (A) a change in the Participant's status, title, position or responsibilities

(including reporting responsibilities) which represents an adverse change from the Participant's status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control; (B) the assignment to the Participant of any duties or responsibilities which are inconsistent with the Participant's status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control; or (C) any removal of the Participant from or failure to reappoint or reelect the Participant to any of the offices or positions held by the Participant immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control, except in connection with the termination of the Participant for Cause, as a result of the Participant's Disability or death or by the Participant other than as a result of Constructive Termination; (ii) a reduction in the Participant's annual base compensation or any failure to pay the Participant any compensation or benefits to which the Participant is entitled within five days of the date due; (iii) the Company's requiring the Participant to relocate to any place outside a 50 mile radius of the location serving as Participant's principal work site immediately prior to the execution of the definitive agreement for the Change in Control transaction or during the Applicable Acceleration Period after the date of a Change in Control, except for reasonably required travel on the business of the Company which is not materially greater than such travel requirements in effect during the applicable measurement period determined above; (iv) the failure by the Company to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material compensation or employee benefit plan in which the Participant was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control, unless such plan is replaced with a plan that provides substantially equivalent compensation or benefits to the Participant, or (B) provide the Participant with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided the Participant under each other employee benefit plan, program and practice in which he or she was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any within the Applicable Acceleration Period after the Change in Control; (v) any material breach by the Company of any provision of an agreement between the Company and the Participant, whether pursuant to this Plan or otherwise, other than a breach which is cured by the Company within 15 days following notice by the Participant of such breach; or (vi) the failure of the Company to obtain an agreement, satisfactory to the Participant, from any successors and assigns to assume and agree to perform the obligations created under the Plan. EXECUTIVE

10. By: Tax Obligations.

(a) Tax Withholding. Participant agrees to make appropriate arrangements with the Company (or the parent or Subsidiary employing or retaining Participant) for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if such withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Participant shall immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

11. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant. This Option Agreement is governed by the internal substantive laws but not the choice of law rules of California.

12. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

Signature:

Print Name: Title:

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Appendix: Vesting Schedule

Date	Quantity

EXHIBIT 10.4

STEM, INC.

2024 EQUITY INCENTIVE PLAN STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the 2024 Equity Incentive Plan (the “Plan”) shall have the same defined meanings in this Stock Option Agreement (the “Option Agreement”).

I. <u>NOTICE OF STOCK OPTION GRANT</u>

Name: Prakesh Patel

The undersigned Participant has been granted an Option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant:

Exercise Price per Share:

Total Number of Shares Granted:

Type of Option: Incentive Stock Option (ISO)

Nonstatutory Stock Option (NSO)

Term/Expiration Date:

Vesting Schedule:

This Option shall be exercisable, in whole or in part, according to the following vesting schedule, subject to such Participant's Continuous Service through each applicable vesting date:

Please refer to Appendix: Vesting Schedule

Termination Period:

Vested Option shall be exercisable for three (3) months after Participant's Continuous Service ceases, unless such cessation is due to Participant's death or Disability, in which case this Option shall be exercisable for twelve (12) months after Participant's Continuous Service ceases. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Term/Expiration Date as provided above and this Option may be subject to earlier termination as provided in the Plan.

II. AGREEMENT

1. Grant of Option. The Administrator of the Company hereby grants to the Participant named in the Notice of Stock Option Grant in Part I of this Agreement ("Participant"), an option (the "Option") to purchase the number of Shares set forth in the Notice of Stock Option Grant, at the exercise price per Share set forth in the Notice of Stock Option Grant (the "Exercise Price"), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to

Section 18 of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Stock Option Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the $100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option ("NSO"). Further, if for any reason this Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event shall the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

2. Exercise of Option.

(a) Right to Exercise. This Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option shall be exercisable by delivery of an exercise notice (the "Exercise Notice") in a manner and pursuant to such procedures as the Company may determine, which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares, together with any applicable tax withholding. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with applicable laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Participant on the date on which the Option is exercised with respect to such Shares.

3. Clawback Policy. Participant hereby acknowledges that if he or she is covered by the Company's policy on recoupment of certain incentive-based compensation, as amended from time to time (the "Clawback Policy"), such policy may result in the recoupment of the Options awarded hereunder, any Common Stock delivered hereunder, and any profits realized on the sale of such Common Stock either before, on or after the date on which Participant becomes subject to such policy. In addition, by acceptance of this award, Participant agrees that any prior awards that have been issued to him or her pursuant to the Plan or any other incentive plan of the Company are subject to the Clawback Policy.

4. Lock-Up Period. Participant hereby agrees that Participant shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Stock (or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences

of ownership of any Common Stock (or other securities) of the Company held by Participant (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed one hundred and eighty (180) days following the effective date of any registration statement of the Company filed under the Securities Act (or such other period as may be requested by the Company or the underwriters to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto).

Participant agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, Participant shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 4 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred and eighty (180) day (or other) period. Participant agrees that any transferee of the Option or shares acquired pursuant to the Option shall be bound by this Section 4.

5. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Participant:

a. cash;

b. check;

c. consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or

d. surrender of other Shares which (i) shall be valued at its Fair Market Value on the date of exercise, and (ii) must be owned free and clear of any liens, claims, encumbrances or security interests, if accepting such Shares, in the sole discretion of the Company, shall not result in any adverse accounting consequences to the Company.

6. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable law.

7. Non-Transferability of Option.

(a) This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by

Participant. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of Participant.

8. Term of Option. This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

9. Change in Control.

(a) At the time of a Change in Control (as defined in the Plan), if this Option is not assumed or otherwise continued in effect in connection with the Change in Control (or is not replaced with an economically equivalent award or cash incentive program), then the unvested portion of this Option will immediately vest and become exercisable prior to the closing of the Change in Control. Any Shares issued upon exercise of this Option shall be converted into the right to receive, for each such Share, the same consideration per Share payable to the other stockholders of the Company upon consummation of that Change in Control, and such consideration per Share shall be distributed to Participant as soon as administratively practicable thereafter, but in no event later than the *later* of (i) the close of the calendar year in which such Change in Control occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such Change in Control.

(b) Any portion of this Option that is to be assumed or otherwise continued in effect in connection with the Change in Control (or is to be replaced with an economically equivalent award or cash retention program) shall be subject to accelerated vesting in accordance with the following provision:

- If Participant's Employee status is unilaterally terminated as a result of an involuntary termination (other than for death or Disability) without Cause, or if Participant resigns from such Employee status due to Constructive Termination, at any time during the period beginning with the execution date of the definitive agreement for that Change in Control transaction and ending with the earlier of (i) the termination of that definitive agreement without the consummation of such Change in Control or (ii) the expiration of the Applicable Acceleration Period following the consummation of such Change in Control, then Participant shall immediately vest in all the unvested portion of this Option (or any replacement securities or cash proceeds) at the time subject to this Award. The Shares (or any replacement securities or cash proceeds) that are issuable upon exercise of this Option shall be issued or distributed on the date of Participant's separation from the Company in connection with such termination of Employee status or as soon as administratively practicable thereafter, but in no event later than the ***later*** of (i) the close of the calendar year in which such separation occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such separation.
- "Applicable Acceleration Period" means: (i) 24 months, in the case of the Company's Chief Executive Officer, (ii) 18 months, in the case of any other executive officer of the Company, and (iii) 12 months, in the case of all other grantees of Options, or (in the cases of (i), (ii), and (iii)) such other period(s) as may be determined by the Administrator on the basis of Participant's status on the Change in Control date.
- "Constructive Termination" means the occurrence of any of the following events or conditions: (i) (A) a change in the Participant's status, title, position or responsibilities

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(including reporting responsibilities) which represents an adverse change from the Participant's status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control; (B) the assignment to the Participant of any duties or responsibilities which are inconsistent with the Participant's status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control; or (C) any removal of the Participant from or failure to reappoint or reelect the Participant to any of the offices or positions held by the Participant immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control, except in connection with the termination of the Participant for Cause, as a result of the Participant's Disability or death or by the Participant other than as a result of Constructive Termination; (ii) a reduction in the Participant's annual base compensation or any failure to pay the Participant any compensation or benefits to which the Participant is entitled within five days of the date due; (iii) the Company's requiring the Participant to relocate to any place outside a 50 mile radius of the location serving as Participant's principal work site immediately prior to the execution of the definitive agreement for the Change in Control transaction or during the Applicable Acceleration Period after the date of a Change in Control, except for reasonably required travel on the business of the Company which is not materially greater than such travel requirements in effect during the applicable measurement period determined above; (iv) the failure by the Company to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material compensation or employee benefit plan in which the Participant was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control, unless such plan is replaced with a plan that provides substantially equivalent compensation or benefits to the Participant, or (B) provide the Participant with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided the Participant under each other employee benefit plan, program and practice in which he or she was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any within the Applicable Acceleration Period after the Change in Control; (v) any material breach by the Company of any provision of an agreement between the Company and the Participant, whether pursuant to this Plan or otherwise, other than a breach which is cured by the Company within 15 days following notice by the Participant of such breach; or (vi) the failure of the Company to obtain an agreement, satisfactory to the Participant, from any successors and assigns to assume and agree to perform the obligations created under the Plan.

10. Tax Obligations.

(a) Tax Withholding. Participant agrees to make appropriate arrangements with the Company (or the parent or Subsidiary employing or retaining Participant) for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if such withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Participant shall immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

11. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant. This Option Agreement is governed by the internal substantive laws but not the choice of law rules of California.

12. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

Signature:

Print Name: Title:

Appendix: Vesting Schedule

Date	Quantity

EXHIBIT 31.1

CERTIFICATION OF INTERIM CHIEF EXECUTIVE OFFICER

I, John Carrington, David Buzby, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended June 30, 2024 September 30, 2024 of Stem, Inc.;

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

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

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

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

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

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on my 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 controls over financial reporting.

STEM, INC.

Date: August 6, 2024 October 30, 2024	By:	/s/ John Carrington David Buzby	
		Name:	John Carrington David Buzby
		Title:	Interim Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, William Bush, Spencer Doran Hole, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended June 30, 2024 September 30, 2024 of Stem, Inc.;

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

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

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

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

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

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on my 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 controls over financial reporting.

STEM, INC.

Date: August 6, 2024 October 30, 2024

By: /s/ William Bush Spencer Doran Hole
Name: William Bush Spencer Doran Hole
Title: Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF INTERIM CHIEF EXECUTIVE OFFICER
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 Stem, Inc. (the "Company") for the three months ended June 30, 2024 September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Carrington, David Buzby, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 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 (the "Exchange Act"); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the registrant.

STEM, INC.

Date: August 6, 2024 October 30, 2024

By: /s/ John Carrington David Buzby

Name: John Carrington David Buzby

Title: Interim Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
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 Stem, Inc. (the "Company") for the three months ended June 30, 2024 September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William Bush, Spencer Doran Hole, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 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 (the "Exchange Act"); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the registrant.

STEM, INC.

Date: August 6, 2024 October 30, 2024

By: /s/ William Bush Spencer Doran Hole

Name: William Bush Spencer Doran Hole

Title: Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.