# 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 March 31, 2022**

**OR**

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

**For the transition period from __________to__________**

Commission File Number **001-40350**

# FTC SOLAR, INC.
(Exact name of Registrant as Specified in its Charter)

| | |
|---|---|
| **Delaware** | **81-4816270** |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| **9020 N Capital of Texas Hwy, Suite I-260, Austin, Texas 78759** | **78759** |
| (Address of Principal Executive Offices) | (Zip Code) |

**(737) 787-7906**

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, $0.0001 par value | FTCI | The Nasdaq Stock Market LLC |

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

Indicate by check mark whether the registrant has submitted electronically 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 Act). ☐ Yes ☐ No

As of April 30, 2022, 99,810,544 shares of the registrant's common stock were outstanding.

**FTC Solar, Inc.**
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## PART I – FINANCIAL INFORMATION

## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements other than statements of historical or current facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements. Statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, including, among others, liquidity, growth and profitability strategies and factors and trends affecting our business are forward-looking statements. Forward-looking statements can be identified in some cases by the use of words such as “believe,” “can,” “could,” “potential,” “plan,” “predict,” “goals,” “seek,” “should,” “may,” “may have,” “would,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” the negative of these words, other similar expressions or by discussions of strategy, plans or intentions.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We believe that these factors include, but are not limited to, the factors set forth under the heading “Risk Factors.” Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements.

These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

## ITEM 1. FINANCIAL STATEMENTS

**FTC Solar, Inc.**
**Condensed Consolidated Balance Sheets**
**(unaudited)**

| (in thousands, except shares and per share data) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 49,383 | $ 102,185 |
| Accounts receivable, net | 132,230 | 107,548 |
| Inventories | 8,918 | 8,860 |
| Prepaid and other current assets | 13,762 | 17,186 |
| Total current assets | 204,293 | 235,779 |
| Operating lease right-of-use assets | 1,622 | 1,733 |
| Property and equipment, net | 1,564 | 1,582 |
| Other assets | 3,929 | 3,926 |
| **Total assets** | $ 211,408 | $ 243,020 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable | $ 46,102 | $ 39,264 |
| Accrued expenses | 30,648 | 47,860 |
| Income taxes payable | 87 | 47 |
| Deferred revenue | 3,100 | 1,421 |
| Other current liabilities | 4,523 | 4,656 |
| Total current liabilities | 84,460 | 93,248 |
| Operating lease liability, net of current portion | 1,190 | 1,340 |
| Other non-current liabilities | 5,590 | 5,566 |
| Total liabilities | 91,240 | 100,154 |
| Commitments and contingencies (Note 9) | | |
| Stockholders' equity | | |
| Preferred stock par value of $0.0001 per share, 10,000,000 shares authorized; none issued as of March 31, 2022 and December 31, 2021 | — | — |
| Common stock par value of $0.0001 per share, 850,000,000 shares authorized; 99,724,843 and 92,619,641 shares issued and outstanding as of March 31, 2022 and December 30, 2021 | 10 | 9 |
| Treasury stock, at cost; 10,762,566 shares as of March 31, 2022 and December 31, 2021 | — | — |
| Additional paid-in capital | 297,119 | 292,082 |
| Accumulated other comprehensive income (loss) | 64 | 7 |
| Accumulated deficit | (177,025) | (149,232) |
| **Total stockholders' equity** | 120,168 | 142,866 |
| **Total liabilities and stockholders' equity** | $ 211,408 | $ 243,020 |

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

**FTC Solar, Inc.**
**Condensed Consolidated Statements of Comprehensive Loss**
**(unaudited)**

| (in thousands, except shares and per share data) | Three months ended March 31, 2022 | 2021 |
|---|---|---|
| Revenue: | | |
| Product | $ 30,968 | $ 56,462 |
| Service | 18,585 | 9,245 |
| Total revenue | 49,553 | 65,707 |
| Cost of revenue: | | |
| Product | 34,963 | 54,996 |
| Service | 23,877 | 10,592 |
| Total cost of revenue | 58,840 | 65,588 |
| **Gross profit (loss)** | (9,287) | 119 |
| Operating expenses | | |
| Research and development | 2,701 | 1,954 |
| Selling and marketing | 1,972 | 1,100 |
| General and administrative | 13,818 | 5,084 |
| Total operating expenses | 18,491 | 8,138 |
| **Loss from operations** | (27,778) | (8,019) |
| Interest expense, net | (295) | (14) |
| Gain from disposal of investment in unconsolidated subsidiary | 337 | — |
| Gain on extinguishment of debt | — | 790 |
| Other income (expense) | 19 | — |
| Loss from unconsolidated subsidiary | — | (218) |
| **Loss before income taxes** | (27,717) | (7,461) |
| (Provision) benefit for income taxes | (76) | 19 |
| **Net loss** | (27,793) | (7,442) |
| **Other comprehensive income (loss):** | | |
| Foreign currency translation adjustments | 57 | (1) |
| **Comprehensive loss** | $ (27,736) | $ (7,443) |
| **Net loss per share:** | | |
| Basic | $ (0.28) | $ (0.11) |
| Diluted | $ (0.28) | $ (0.11) |
| **Weighted-average common shares outstanding:** | | |
| Basic | 99,211,792 | 66,875,469 |
| Diluted | 99,211,792 | 66,875,469 |

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

# FTC Solar, Inc.
## Condensed Consolidated Statements of Stockholders' Equity
## (unaudited)

| (in thousands, except shares) | Preferred stock | | Common stock | | Treasury stock | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Additional paid-In capital | Accumulated other comprehensive income (loss) | Accumulated deficit | Total stockholders' equity (deficit) |
| Balance as of December 31, 2021 | — | $ — | 92,619,641 | $ 9 | 10,762,566 | $ — | $ 292,082 | $ 7 | $ (149,232) | $ 142,866 |
| Shares issued during the period for vested restricted stock awards | — | — | 5,311,326 | 1 | — | — | (1) | — | — | — |
| Issuance of common stock upon exercise of stock options | — | — | 1,793,876 | — | — | — | 428 | — | — | 428 |
| Stock-based compensation | — | — | — | — | — | — | 4,610 | — | — | 4,610 |
| Net loss | — | — | — | — | — | — | — | — | (27,793) | (27,793) |
| Other comprehensive loss | — | — | — | — | — | — | — | 57 | — | 57 |
| Balance as of March 31, 2022 | — | $ — | 99,724,843 | $ 10 | 10,762,566 | $ — | $ 297,119 | $ 64 | $ (177,025) | $ 120,168 |

| (in thousands, except shares) | Preferred stock | | Common stock | | Treasury stock | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Additional paid-In capital | Accumulated other comprehensive income (loss) | Accumulated deficit | Total stockholders' equity (deficit) |
| Balance as of December 31, 2020 | — | $ — | 66,155,340 | $ 1 | 9,896,666 | $ — | $ 50,096 | $ (3) | $ (42,643) | $ 7,451 |
| Shares issued during the period for vested restricted stock awards | — | — | 1,169,607 | — | — | — | — | — | — | — |
| Issuance of common stock upon exercise of stock options | — | — | 152,902 | — | — | — | 39 | — | — | 39 |
| Repurchases of treasury stock | — | — | (148,440) | — | 148,440 | — | — | — | — | |
| Stock-based compensation | — | — | — | — | — | — | 449 | — | — | 449 |
| Net loss | — | — | — | — | — | — | — | — | (7,442) | (7,442) |
| Other comprehensive loss | — | — | — | — | — | — | — | (1) | — | (1) |
| Balance as of March 31, 2021 | — | $ — | 67,329,409 | $ 1 | 10,045,106 | $ — | $ 50,584 | $ (4) | $ (50,085) | $ 496 |

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

**FTC Solar, Inc.**
**Condensed Consolidated Statements of Cash Flows**
**(unaudited)**

| (in thousands) | Three months ended March 31, 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | $ (27,793) | $ (7,442) |
| Adjustments to reconcile net loss to cash used in operating activities: | | |
| Stock-based compensation | 4,610 | 449 |
| Depreciation | 121 | 9 |
| Amortization of debt issue costs | 173 | — |
| Loss from unconsolidated subsidiary | — | 218 |
| Gain from disposal of investment in unconsolidated subsidiary | (337) | — |
| (Gain) loss on extinguishment of debt | — | (790) |
| Warranty provision | 516 | 1,554 |
| Warranty recoverable from manufacturer | (205) | 328 |
| Bad debt expense (credit) | (30) | 58 |
| Deferred income taxes | — | (20) |
| Lease expense and other non-cash items | 198 | — |
| Impact on cash from changes in operating assets and liabilities: | | |
| Accounts receivable, net | (24,652) | (20,230) |
| Inventories | (58) | (2,587) |
| Prepaid and other current assets | 3,440 | 216 |
| Other assets | (40) | (3,649) |
| Accounts payable | 7,258 | 12,913 |
| Accruals and other current liabilities | (17,044) | 8,360 |
| Accrued interest – related party debt | — | (207) |
| Deferred revenue | 1,679 | (14,797) |
| Other non-current liabilities | (752) | (206) |
| Lease payments and other, net | (190) | (81) |
| Net cash used in operating activities | (53,106) | (25,904) |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment | (523) | (85) |
| Proceeds from disposal of investment in unconsolidated subsidiary | 337 | — |
| Net cash used in investing activities | (186) | (85) |
| **Cash flows from financing activities:** | | |
| Repayments of borrowings | — | (1,000) |
| Offering costs paid | — | (1,084) |
| Proceeds from stock issuance | — | 39 |
| Proceeds from stock option exercises | 428 | — |
| Net cash provided by (used in) financing activities | 428 | (2,045) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 62 | 1 |
| Net decrease in cash, cash equivalents and restricted cash | (52,802) | (28,033) |
| Cash, cash equivalents and restricted cash at beginning of period | 102,185 | 33,373 |
| Cash, cash equivalents and restricted cash at end of period | $ 49,383 | $ 5,340 |
| | | |
| **Supplemental disclosures of cash flow information:** | | |
| Purchases of property and equipment included in ending accounts payable and accruals | $ 59 | 67 |
| Increase in offering costs in period end accruals | $ — | 2,019 |
| Commencement of new operating leases | $ — | 246 |
| Cash paid during the period for third party interest | $ 128 | 40 |
| Cash paid during the period for related party interest | $ — | 207 |
| Cash paid during the period for taxes | $ 7 | — |

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

## 1. Description of business

FTC Solar, Inc. (the "Company", "we", "our", or "us") was founded in 2017 and is incorporated in the state of Delaware. We are a global provider of advanced solar tracker systems, supported by proprietary software and value-added engineering services. Our mission is to provide differentiated products, software, and services that maximize energy generation and cost savings for our customers, and to help facilitate the continued growth and adoption of solar power globally. Trackers significantly increase the amount of solar energy produced at a solar installation by moving solar panels throughout the day to maintain an optimal orientation relative to the sun. Our tracker systems are currently marketed under the Voyager brand name ("Voyager Tracker" or "Voyager"). Voyager is a next-generation two-panel in-portrait single-axis tracker solution that we believe offers industry-leading performance and ease of installation. We have a team of dedicated renewable energy professionals with significant project installation experience focused on delivering cost reductions to our US and worldwide clients across the solar project development and construction cycle. Our solar solutions span a range of applications, including ground mount, tracker, canopy, and rooftop. The Company is headquartered in Austin, Texas, and has international subsidiaries in Australia, India, Singapore, and South Africa.

In April 2021, we completed an initial public offering (IPO) of 19,840,000 shares of our common stock receiving proceeds of $241.2 million, net of underwriting discounts and commissions, but before offering costs, and began trading on the Nasdaq Global Market under the symbol "FTCI". Prior to the completion of the IPO, the board of directors and stockholders approved an approximately 8.25-for-1 forward stock split (the "Forward Stock Split") of the Company's shares of common stock which became effective on April 28, 2021. Proceeds from the IPO were used for general corporate purposes, with $54.2 million used to purchase an aggregate of 4,455,384 shares of our common stock, including shares resulting from the settlement of certain vested restricted stock units ("RSUs") and exercise of certain options in connection with the IPO at the IPO price, less underwriting discounts and commissions.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups (JOBS) Act. Under the JOBS Act, we elected to use the allowed extended transition period to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

## 2. Summary of significant accounting policies

### Basis of presentation and principles of consolidation

The accompanying unaudited condensed consolidated financial statements include the results of the Company and its wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and pursuant to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments have been made that are considered necessary for a fair statement of our financial position as of March 31, 2022, and December 31, 2021, our results of operations for the three months ended March 31, 2022 and 2021 and our cash flows for the three months ended March 31, 2022 and 2021. The condensed consolidated balance sheet as of December 31, 2021 has been derived from the Company's audited consolidated financial statements but, does not include all disclosures required by accounting principles generally accepted in the United States of America. Operating results for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. Intercompany balances and transactions have been eliminated in consolidation.

Certain information and disclosures normally included in the notes to annual financial statements prepared in accordance with GAAP have been omitted from these interim financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

On April 28, 2021, we effected an approximately 8.25-for-1 forward split of our issued and outstanding shares of common stock, par value $0.0001 per share. As a result of the forward stock split, one (1) share of common stock issued and outstanding was automatically increased to approximately 8.25 shares of issued and outstanding common stock, without any change in the par value per share. All information related to common stock, stock options, restricted stock awards and earnings per share have been retroactively adjusted to give effect to the forward stock split for all periods presented, unless otherwise indicated.

We currently operate in one business segment, the manufacturing and servicing of Voyager Tracker.

**Liquidity**

We have incurred cumulative losses since inception, resulting in an accumulated deficit of $177.0 million at March 31, 2022, and have a history of cash outflows from operations. During the year ended December 31, 2021, and the three months ended March 31, 2022, we had $132.9 million and $53.1 million, respectively, of cash outflow from operations. At March 31, 2022, we had $49.4 million of cash on hand, $119.8 million of working capital and approximately $98.1 million of unused borrowing capacity under our existing revolving credit facility. The revolving credit facility includes a financial condition covenant stating we are required to have a minimum liquidity, consisting of cash on hand and unused borrowing capacity, of $125.0 million as of each quarter end. After considering this financial condition covenant, we had approximately $22.4 million of available liquidity as of March 31, 2022, in order to retain access to our revolving credit facility. Additionally, we had no long-term borrowings or other material obligations requiring the use of cash as of March 31, 2022.

As of May 12, 2022, we have collected approximately $62 million of receivables since March 31, 2022, and have a cash balance of approximately $71 million.

On March 25, 2022, the U.S. Department of Commerce, in response to a petition by Auxin Solar, Inc., initiated an investigation of claims related to alleged circumvention of U.S. antidumping and countervailing duties ("AD/CVD") by solar manufacturers in certain Southeast Asian countries in an effort to determine whether or not solar cells and/or modules made in those Southeast Asian nations use parts originating from China in order to circumvent the AD/CVD tariffs. This decision has resulted in some developers deferring projects later in the year due to the uncertainty of panel supply and costs, which is expected to negatively impact our anticipated revenues and our cash flows.

Our costs are affected by certain component costs including steel, motors and micro-chips, as well as transportation costs. Current market conditions that constrain supply of materials and disrupt the flow of materials from international vendors impact the cost of our products and services. These cost increases impact our operating margins. We are taking steps to expand and diversify our manufacturing partnerships and have employed alternative modes of transportation to mitigate the impact of the current headwinds in the global supply chain and logistics markets. Additionally, we have contracted with a consulting firm to support us with improvements to our processes and performance in various areas including design, sourcing, logistics, pricing, software and standard configuration. For further information regarding this consulting firm, see "Note 13. Related party transactions".

In accordance with ASC 205-40, Going Concern, we have evaluated whether there are conditions and events, considered in the aggregate, which raise substantial doubt about our ability to continue as a going concern within one year after the date the financial statements are issued. Based on our recurring losses from operations, impact of the U.S. Department of Commerce investigation of AD/CVD circumvention claims, the expectation of continued operating losses during 2022, and the need to improve profitability and cash flow to finance our future operations, we determined that there is substantial doubt about our ability to continue as a going concern within twelve months of the issuance date of the accompanying consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty and assumes we will continue as a going concern through the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

As we continue to address these current market challenges, management has also undertaken the following actions:

- we are in discussions with the lenders of our revolving credit facility to lower the minimum required liquidity amount, which, if successful, could result in additional liquidity;
- we have initiated a program, as described above, with third party assistance, to improve our operating performance and increase our gross margins;
- we are freezing non-essential hiring, reducing our travel expenses, decreasing the future use of consultants and deferring non-critical initiatives;
- we are negotiating improved payment terms with both our customers and vendors;
- we have initiated frequent, consistent communication with our customers, which has allowed us to resolve issues preventing timely collection of certain outstanding receivables subsequent to March 31, 2022; and
- we are exploring options to obtain additional sources of capital.

Should we not be successful in executing the above initiatives, or in reducing our historical levels of use of cash to fund our operations, or should market conditions deteriorate significantly from what we currently expect, or regulatory and international trade policies become more stringent as a result of findings from the Department of Commerce's AD/CVD investigation, or other factors, we may need to issue additional debt or obtain new equity financing to fund our operations for the next twelve months. We may be unable to obtain any desired additional financing on terms favorable to us, or at all, depending on market and other conditions. The ability to raise additional financing depends on numerous factors that are outside of our control, including general economic and market conditions, the health of financial institutions, investors' and lenders' assessments of our prospects and the prospects of the solar industry in general.

**Use of estimates**

Preparation of consolidated financial statements in conformity with U.S. 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 financial statements, and the reported revenue and expenses during the period. Estimates are used for calculating the measure of progress of Voyager tracker projects and deriving the standalone selling prices of the individual performance obligations when determining amounts to recognize for revenue, estimating allowances for doubtful accounts and slow-moving and obsolete inventory, determining useful lives of noncurrent assets and the estimated fair value of those assets for impairment assessments, and estimating the fair value of investments, stock compensation awards, warranty liabilities and federal and state taxes and contingencies. We base our estimates on historical experience and anticipated results, trends, and various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. Actual results could differ from those estimates.

**Concentration of credit risk**

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and accounts receivable.

We regularly maintain cash balances with various financial institutions that exceed federally insured amounts, but we have experienced no losses associated with these amounts to date.

The Company extends credit to customers in the normal course of business, often without requiring collateral. The Company performs credit analyses and monitors the financial health of its customers to reduce credit risk.

The Company’s accounts receivables are derived from revenue earned from customers primarily located in the U.S. and in the Asia Pacific region. No country other than the U.S. accounts for 10% or more of our revenue. Most of our customers are project developers, solar asset owners and engineering, procurement and construction (“EPC”) contractors that design and build solar energy projects. Often times, a small number of customers account for a significant portion of our outstanding receivables at period end and our total revenue for the year.

**Cash and cash equivalents**

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. We regularly maintain cash balances that exceed federally insured amounts, but we have experienced no losses associated with these amounts to date.

**Accounts receivable, net**

Trade receivables are recorded at invoiced amounts, net of allowances for doubtful accounts if applicable, and do not bear interest. We generally do not require collateral from our customers; however, in certain circumstances, we may require letters of credit, other collateral, additional guarantees or advance payments. The allowance for doubtful accounts is based on our assessment of the collectability of our customer accounts. We regularly review our accounts receivable that remain outstanding past their applicable payment terms and establish allowances or make potential write-offs by considering certain factors such as historical experience, industry data, credit quality, age of balances and current economic conditions that may affect a customers’ ability to pay.

Receivables arising from revenue recognized in excess of billings represents our unconditional right to consideration before customers are invoiced due to the level of progress obtained as of period end on our contracts to install Voyager tracker systems and related equipment. Further information may be found below in our revenue recognition policy.

**Inventories, net**

Inventories are stated at the lower of cost or net realizable value, with costs computed on a first-in, first-out basis. The Company periodically reviews its inventories for excess and obsolete items and adjusts carrying costs to estimated net realizable values when they are determined to be less than cost.

**Warranty**

Typically, the sale of Voyager Tracker projects includes parts warranties to customers as part of the overall price of the product. We provide standard assurance type warranties for our products for periods generally ranging from five to ten years. We record a provision for estimated warranty expenses in cost of sales, net of amounts recoverable from manufacturers under their warranty obligations to us. We do not maintain general or unspecified reserves; all warranty reserves are related to specific projects. All actual or estimated material costs incurred for warranty services in subsequent periods are charged to those established reserves.

While we periodically monitor our warranty activities and claims, if actual costs incurred were to be different from our estimates, we would recognize adjustments to our warranty reserves in the period in which those differences arise or are identified.

**Stock-based compensation**

We recognize compensation expense for all share-based payment awards made, including stock options and restricted stock, based on the estimated fair value of the award on the grant date, in the accompanying consolidated statement of operations and comprehensive loss. We calculate the fair value of stock options using the Black-Scholes Option-Pricing model, while the fair value of restricted stock grants is based on the estimated fair value of the Company's common stock on the date of grant. Since completion of our IPO, we consider the closing price of our stock, as reported on the Nasdaq Global Market, to be the fair value of our stock on the grant date.

Forfeitures are accounted for as they occur. For service-based awards, stock-based compensation is recognized using the straight-line attribution approach over the requisite service period. For performance-based awards, stock-based compensation is recognized based on graded vesting over the requisite service period when the performance condition is probable of being achieved.

**Revenue recognition**

Product revenue includes revenue from the sale of Voyager Tracker and customized components of Voyager Tracker, individual part sales for certain specific transactions, and sale of term-based software licenses. Term-based software licenses are deployed on the customers' own servers and have significant standalone functionality.

Service revenue includes revenue from shipping and handling services, subscription fees from licensing subscription services, and maintenance and support services in connection with the term-based software licenses. Our subscription-based enterprise licensing model typically has contract terms ranging from one to two years and consists of subscription fees from the licensing of subscription services. Our hosted on-demand service arrangements do not provide customers with the right to take possession of the software supporting the hosted services. Support services include ongoing security updates, upgrades, bug fixes, and maintenance.

We recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which we expect to be entitled to in exchange for those goods or services by following a five-step process, (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when or as the Company satisfies a performance obligation, as further described below.

*Identify the contract with a customer:* A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the products and services to be transferred and identifies the payment terms related to these products and services, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for products and services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. In assessing the recognition of revenue, we also evaluate whether two or more contracts should be combined and accounted for as one contract and if the combined or single contract should be accounted for as multiple performance obligations which could change the amount of revenue and profit (loss) recorded in a period. Change orders may include changes in specifications or design, manner of performance, equipment, materials, scope of work, and/or the period of completion of the project. We analyze change orders to determine if they should be accounted for as a modification to an existing contract or a new stand-alone contract.

Contracts we enter into with our customers for sale of Voyager Trackers are generally under two different types of arrangements: (1) purchase agreements and equipment supply contracts ("Purchase Agreements") and (2) sale of individual parts of the Voyager Tracker.

Change orders from our customers are generally modifications to existing contracts and are included in the total estimated contract revenue when it is probable that the change order will result in additional value that can be reliably estimated and realized.

*Identify the performance obligations in the contract:* We enter into contracts that can include various combinations of products and services, which are either capable of being distinct and accounted for as separate performance obligations or as one performance obligation since the majority of tasks and services are part of a single project or capability. However, determining whether products or services are considered distinct performance obligations that should be accounted for separately versus together may sometimes require significant judgment.

Our Purchase Agreements typically include two performance obligations- 1) Voyager Tracker or customized components of Voyager Tracker, and 2) shipping and handling services. The deliverables included as part of the Voyager Tracker are predominantly accounted for as one performance obligation, as these deliverables are part of a combined promise to deliver a project.

The revenue for shipping and handling services will be recognized over time based on progress in meeting shipping terms of the arrangements, as this faithfully depicts the Company's performance in transferring control.

Sale of individual parts of Voyager Tracker for certain specific transactions includes multiple performance obligations consisting of individual parts of the Voyager Tracker. Revenue is recognized for parts sales at a point in time when the obligations under the terms of the contract with our customer are satisfied. Generally, this occurs with the transfer of control of the asset, which is in line with shipping terms.

*Determine the transaction price:* The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring services to the customer. Such amounts are typically stated in the customer contract, and to the extent that we identify variable consideration, we will estimate the variable consideration at the onset of the arrangement as long as it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The majority of our contracts do not contain variable consideration provisions as a continuation of the original contract. None of our contracts contain a significant financing component. Taxes collected from customers and remitted to governmental authorities are not included in revenue.

*Allocate the transaction price to performance obligations in the contract:* Once we have determined the transaction price, we allocate the total transaction price to each performance obligation in a manner depicting the amount of consideration to which we expect to be entitled in exchange for transferring the good(s) or service(s) to the customer. We allocate the transaction price to each performance obligation identified in the contract on a relative standalone selling price basis.

We use the expected cost-plus margin approach based on hardware, labor, and related overhead cost to estimate the standalone selling price of the Voyager Tracker, customized components of Voyager Tracker, and individual parts of Voyager Tracker for certain specific transactions. We use the adjusted market assessment approach for all other performance obligations except shipping, handling, and logistics. For shipping, handling, and logistics performance obligations, we use a residual approach to calculate the standalone selling price, because of the nature of the highly variable and broad range of prices we charge to various customers for this performance obligation in the contracts.

*Recognize revenue when or as the Company satisfies a performance obligation:* For each performance obligation identified, we determine at contract inception whether we satisfy the performance obligation over time or at a point in time. Voyager Tracker and customized components of Voyager Tracker performance obligations in the contract are satisfied over-time as work progresses for its custom assembled Voyager Tracker, utilizing an input measure of progress determined by cost-to-cost measures on these projects as this faithfully depicts our performance in transferring control. Additionally, our performance does not create an asset with an alternative use, due to the highly customized nature of the product, and we have an enforceable right to payment for performance completed to date. Our performance obligations for individual part sales for certain specific transactions are recognized point-in-time as and when control transfers based on the Incoterms for the contract. Our performance obligations for term-based software licenses are recognized point-in-time as and when control transfers, either upon delivery to the customer or the software license start date, whichever is later. Our performance obligation for shipping and handling services is satisfied over-time as the services are delivered over the term of the contract. We recognize subscription services sales/other services on a straight-line basis over the contract period. With regard to support revenue, a time-elapsed method is used to measure progress because we transfer control evenly over the contractual period. Accordingly, the fixed consideration related to support revenue is generally recognized on a straight-line basis over the contract term.

*Contract assets and liabilities:* The timing of revenue recognition, billing, and cash collection results in the recognition of accounts receivable, unbilled receivables for revenue recognized in excess of billing, and deferred revenue in the Consolidated Balance Sheets. We may receive advances or deposits from our customers before revenue is recognized, resulting in contract liabilities, which are reflected as “deferred revenue” on our Consolidated Balance Sheets.

Cost of revenue consists primarily of costs related to raw materials, freight and delivery, product warranty, and personnel costs (salaries, bonuses, benefits, and stock-based compensation). Personnel costs in cost of revenue include both direct labor costs as well as costs attributable to any individuals whose activities relate to the procurement, installment, and delivery of the finished product and services. Deferred cost of revenue results from the timing differences between the costs incurred in advance of the satisfaction of all revenue recognition criteria consistent with our revenue recognition policy.

**Revision of previously issued financial statements**

In connection with preparation of our consolidated financial statements as of and for the year ended December 31, 2021, we identified an error in the classification of offering costs in the statement of cash flows for the three months ended March 31, 2021. Specifically, we incorrectly classified $1.1 million of offering costs paid as an operating cash outflow instead of a financing cash outflow in our previously issued cash flow statement for the three months ended March 31, 2021. Although we have concluded that this error is immaterial to the previously issued financial statements, we have corrected this error in the accompanying condensed consolidated statements of cash flows by revising the operating and financing cash outflows previously reported in our cash flow statement for the three months ended March 31, 2021.

**Recent accounting pronouncements not yet adopted**

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 changes the impairment model for most financial assets and requires the use of an expected loss model in place of the currently used incurred loss method. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The update to the standard is effective for the Company for its fiscal year beginning after December 15, 2022, to the extent the Company remains an emerging growth company, and early adoption is permitted. The Company does not expect the adoption of ASU 2016-13 to have a material impact on its consolidated financial statements.

## 3. Accounts receivable, net

Accounts receivable consisted of the following:

| (in thousands) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Trade receivables | $ 100,285 | $ 38,597 |
| Revenue recognized in excess of billings | 40,663 | 72,676 |
| Other receivables | 148 | 147 |
| Total | 141,096 | 111,420 |
| Allowance for doubtful accounts | (8,866) | (3,872) |
| Accounts receivable, net | $ 132,230 | $ 107,548 |

During the three months ended March 31, 2022, we recognized a $5.0 million reserve against our revenue for a potential customer concession.

Included in total receivables above are amounts billed under retainage provisions totaling $5.1 million and $11.6 million as of March 31, 2022, and December 31, 2021, respectively, which are due within the upcoming year.

## 4. Inventories, net

Inventories consisted of the following:

| (in thousands) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Finished goods | $ 9,008 | $ 8,950 |
| Allowance for slow-moving and obsolete inventory | (90) | (90) |
| Total | $ 8,918 | $ 8,860 |

## 5. Prepaid and other current assets

Prepaid and other current assets consisted of the following:

| (in thousands) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Vendor deposits | $ 10,700 | $ 13,098 |
| Prepaid expenses | 1,308 | 2,301 |
| Prepaid taxes | 290 | 269 |
| Surety collateral | 334 | 460 |
| Other current assets | 1,130 | 1,058 |
| Total | $ 13,762 | $ 17,186 |

## 6. Leases

We lease office and warehouse space in various locations, including our corporate headquarters in Austin, Texas. Additionally, we lease space for an applications laboratory and have a membership in a collaborative research facility in Colorado. All of our manufacturing is outsourced to contract manufacturing partners, and we currently do not own or lease any manufacturing facilities.

Our lease expense consisted of the following:

| | Three months ended March 31, | |
|---|---|---|
| (in thousands) | 2022 | 2021 |
| Operating lease cost | $ 198 | $ 78 |
| Short-term lease cost | 115 | 63 |
| Total lease cost | $ 313 | $ 141 |
| | | |
| Reported in: | | |
| Cost of revenue | $ 193 | $ 61 |
| Research and development | 8 | 6 |
| Selling and marketing | — | 1 |
| General and administrative | 112 | 73 |
| Total lease cost | $ 313 | $ 141 |

Future remaining operating lease payment obligations were as follows:

| (in thousands) | March 31, 2022 |
|---|---|
| 2022 | $ 424 |
| 2023 | 520 |
| 2024 | 511 |
| 2025 | 446 |
| 2026 | 55 |
| Thereafter | — |
| Total lease payments | 1,956 |
| Less: imputed interest | (315) |
| Present value of operating lease liabilities | $ 1,641 |
| | |
| Current portion of operating lease liability | $ 451 |
| Operating lease liability, net of current portion | 1,190 |
| Present value of operating lease liabilities | $ 1,641 |

## 7. Property and equipment, net

Property and equipment consisted of the following:

| (in thousands) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Leasehold improvements | $ 22 | $ 22 |
| Field equipment | 891 | 833 |
| Information technology equipment | 243 | 182 |
| Tooling | 527 | 543 |
| Capitalized software | 250 | 250 |
| Total | 1,933 | 1,830 |
| Accumulated depreciation | (369) | (248) |
| Property and equipment, net | $ 1,564 | $ 1,582 |

## 8. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

| (in thousands) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Accrued cost of revenue | $ 22,623 | $ 43,185 |
| Accrued compensation | 4,507 | 981 |
| Other accrued expenses | 3,518 | 3,694 |
| Total accrued expenses | $ 30,648 | $ 47,860 |
| | | |
| Warranty reserves | $ 3,771 | $ 4,032 |
| Current portion of operating lease liability | 451 | 452 |
| Non-federal tax obligations | 301 | 172 |
| Other | — | — |
| Total other current liabilities | $ 4,523 | $ 4,656 |

We provide standard warranties on our hardware products to customers. The liability amount is based on actual historical warranty spending activity by type of product, customer and geographic region, modified by any known differences such as the impact of reliability improvements.

Activity by period in the Company's warranty accruals was as follows:

| (in thousands) | Three months ended March 31, 2022 | Three months ended March 31, 2021 |
|---|---|---|
| Balance at beginning of period | $ 9,346 | $ 6,811 |
| Warranties issued during the period | 516 | 1,554 |
| Settlements made during the period | (421) | (1,819) |
| Changes in liability for pre-existing warranties | (205) | (187) |
| Balance at end of period | $ 9,236 | $ 6,359 |
| | | |
| Accrued warranty balance reported in: | | |
| Other current liabilities | $ 3,771 | $ 2,891 |
| Other non-current liabilities | 5,465 | 3,468 |
| Balance at end of period | $ 9,236 | $ 6,359 |

## 9. Commitments and contingencies

The Company may be involved in various claims, lawsuits, investigations, and other proceedings, arising in the normal course of business. The Company accrues a liability when management believes information available prior to the issuance of financial statements indicates it is probable a loss has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated. The Company adjusts its accruals to reflect the impact of negotiation, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Legal costs are expensed as incurred.

On April 21, 2021, FCX Solar, LLC (“FCX”), filed a lawsuit against us in the United States District Court for the Southern District of New York. The complaint alleged breach of contract, fraud and unjust enrichment claims related to a patent license agreement and consulting relationship between FCX and us. FCX sought damages of approximately $134 million in the lawsuit. On July 2, 2021, we filed a motion to dismiss the fraud and unjust enrichment claims. On July 16, 2021, FCX filed an amended complaint asserting the same claims as the original complaint. On July 22, 2021, we advised the court that FTC would stand on its motion to dismiss, and at the request of the court, we filed a revised motion citing the amended complaint. FCX filed its response on August 19, 2021, and we filed a reply on September 7, 2021. Oral argument on our motion to dismiss was held on February 3, 2022, and the Court granted our motion on February 7, 2022, dismissing FCX's fraud and unjust enrichment claims and leaving only a claim for breach of a license agreement. On April 15, 2022, FCX filed a motion to amend its complaint to add two additional claims for breach of the license agreement and to remove the dismissed claims, including its request for damages of approximately $134 million. We intend to oppose FCX's motion to add new breach of contract claims. On May 29, 2021, FCX filed a separate lawsuit against us in the United States District Court for the Western District of Texas, alleging a claim for patent infringement related to U.S. Patent No. 10,903,782. FCX seeks an unspecified amount of damages, including past and future royalties, and injunctive relief. Our answer to that complaint was filed on June 22, 2021, along with our motion to transfer the patent suit to the Southern District of New York to be consolidated with the New York litigation. FCX filed an amended complaint asserting claims for direct patent infringement, indirect infringement by active inducement, and contributory infringement on July 27, 2021, and we filed our answer to that complaint on August 10, 2021. On October 25, 2021, our motion to transfer the case to the Southern District of New York was granted, and the patent case was consolidated with FCX's contract case on November 19, 2021. Discovery in this consolidated matter is ongoing. We believe the claims asserted in both lawsuits are without merit, and we plan to vigorously defend against them. We and our management considered (a) the facts described above, (b) the preliminary stages of the proceedings and (c) the advice of outside legal counsel on the claims and determined that it is not probable that FCX will prevail on the merits. At this time, we believe that the likelihood of any material loss related to these matters is remote given the strength of our defenses.

The Company has not recorded any material loss contingency in the Condensed Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021.

## 10. Stock-based compensation

Stock compensation expense for each period was as follows:

| (in thousands) | Three months ended March 31, 2022 | 2021 |
|---|---|---|
| Cost of revenue | $ 309 | $ 66 |
| Research and development | 188 | 14 |
| Selling and marketing | 530 | 9 |
| General and administrative | 3,583 | 360 |
| Total stock compensation expense | $ 4,610 | $ 449 |

## 11. Net loss per share

| | Three months ended March 31, 2022 | 2021 |
|---|---|---|
| Net loss (in thousands) | $ (27,793) | $ (7,442) |
| Weighted average shares outstanding for calculating basic and diluted loss per share | 99,211,792 | 66,875,469 |
| Basic and diluted loss per share | $ (0.28) | $ (0.11) |

For purposes of computing diluted loss per share, weighted average common shares outstanding do not include potentially dilutive securities that are anti-dilutive, as shown below.

| | As of March 31, 2022 | 2021 |
|---|---|---|
| Anti-dilutive securities excluded from calculating dilutive loss per share: | | |
| Shares of common stock issuable under stock option plans outstanding | 8,452,319 | 8,197,000 |
| Shares of common stock issuable upon vesting of restricted stock units | 4,995,792 | 15,463,000 |
| Potential common shares excluded from diluted net loss per share calculation | 13,448,111 | 23,660,000 |

## 12. Income taxes

For the three months ended March 31, 2022 and 2021, we recorded income tax expense of $0.08 million and an income tax benefit of $0.02 million, respectively, both of which were lower than the statutory rate of 21%, primarily due to a valuation allowance established against the U.S. deferred tax assets.

At March 31, 2022, we had total unrecognized tax benefits of approximately $0.7 million. Approximately $0.2 million of our gross unrecognized tax benefits, if recognized, would affect our effective tax rate. We recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of March 31, 2022, we had no accrued interest or penalties related to unrecognized tax benefits.

## 13. Related party transactions

In February 2022, we engaged Fernweh Engaged Operator Company LLC (“FEOC”) to support us with improvements to our processes and performance in various areas including design, sourcing, logistics, pricing, software and standard configuration. The consideration for such engagement is a combination of (i) quarterly cash payments through mid-2023, (ii) stock options that are time-based vested through the second quarter of 2023, and (iii) options with vesting tied to achievement of certain performance metrics based on our stock price. The foregoing transaction constitutes a related person transaction under our policies and procedures as South Lake One LLC, an entity affiliated with Isidoro Quiroga Cortés, a member of our board of directors, and a holder of more than 5% of our outstanding capital stock, is an investor in Fernweh Group LLC (“Fernweh Group”), the parent entity of FEOC. Also, Aequanimitas Limited Partnership and Discrimen LLC are investors in Fernweh Group, and Isidoro Quiroga Cortés is affiliated with those entities. Isidoro Quiroga Cortés is also on the board of Fernweh Group. For the three months ended March 31, 2022, we incurred $1.1 million of general and administrative expense associated with our engagement of FEOC. We made no cash payments during the three months ended March 31, 2022.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included in Item 1 of this Form 10-Q and along with information included in our Annual Report on Form 10-K for the year ended December 31, 2021. In addition to historical financial information, the following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in Part I, Item 1A. "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2021. Additionally, our historical results are not necessarily indicative of the results that may be expected in any future period.*

*This discussion and analysis of our financial condition and results of operations contain the presentation of Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS, which are not presented in accordance with GAAP. Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS are being presented because they provide the Company and readers of this Form 10-Q with additional insight into our operational performance relative to earlier periods and relative to our competitors. We do not intend Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS to be substitutes for any GAAP financial information. Readers of this Form 10-Q should use Adjusted EBITDA Adjusted Net Loss and Adjusted EPS only in conjunction with Net Loss and Net Loss per Share, the most comparable GAAP financial measures. Reconciliations of Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS to Net Loss and Net Loss per Share, the most comparable GAAP measures, is provided in "Non-GAAP Financial Measures".*

### Overview

FTC Solar, Inc. (the "Company", "we", "our", or "us") was founded in 2017 and is incorporated in the state of Delaware. We are a global provider of advanced solar tracker systems, supported by proprietary software and value-added engineering services. Our mission is to provide differentiated products, software, and services that maximize energy generation and cost savings for our customers, and to help facilitate the continued growth and adoption of solar power globally. Trackers significantly increase the amount of solar energy produced at a solar installation by moving solar panels throughout the day to maintain an optimal orientation relative to the sun. Our tracker systems are currently marketed under the Voyager brand name ("Voyager Tracker" or "Voyager"). Voyager is a next-generation two-panel in-portrait single-axis tracker solution that we believe offers industry-leading performance and ease of installation. We have a team of dedicated renewable energy professionals with significant project installation experience focused on delivering cost reductions to our US and worldwide clients across the solar project development and construction cycle. Our solar solutions span a range of applications, including ground mount, tracker, canopy, and rooftop. The Company is headquartered in Austin, Texas, and has international subsidiaries in Australia, India, Singapore, and South Africa.

In April 2021, we completed an initial public offering (IPO) of 19,840,000 shares of our common stock receiving proceeds of $241.2 million, net of underwriting discounts and commissions, but before offering costs, and began trading on the Nasdaq Global Market under the symbol "FTCI". Prior to the completion of the IPO, the board of directors and stockholders approved an approximately 8.25-for-1 forward stock split (the "Forward Stock Split") of the Company's shares of common stock which became effective on April 28, 2021. Proceeds from the IPO were used for general corporate purposes, with $54.2 million used to purchase an aggregate of 4,455,384 shares of our common stock, including shares resulting from the settlement of certain vested restricted stock units ("RSUs") and exercise of certain options in connection with the IPO at the IPO price, less underwriting discounts and commissions.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups (JOBS) Act. Under the JOBS Act, we elected to use the allowed extended transition period to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

## Key Factors Affecting Our Performance

**Government Regulations.** Changes in the U.S. trade environment, including the imposition of import tariffs, AD/CVD investigations and WROs directed at forced labor in China, can have an impact on the timing of developer projects. This impact on project activity by developers can negatively affect the amount and timing of our revenue, results of operations and cash flows. Escalating trade tensions, particularly between the United States and China, have led to increased tariffs and trade restrictions, including tariffs applicable to certain raw materials and components for our products. We have taken measures with the intention of mitigating the effect of tariffs, AD/CVD and WROs on our business by reducing our reliance on China. In 2019, 90% of our supply chain was sourced from China. As of March 31, 2022, we have qualified suppliers outside of China for all our commodities and reduced the extent to which our supply chain for U.S.-based projects is subject to existing tariffs. We have entered into partnerships with manufacturers in the United States, Mexico, Canada, Spain, Brazil, Turkey, Saudi Arabia, India, Thailand, Vietnam and Korea to diversify our supply chain and optimize costs.

**Disruptions in Transportation and Supply Chain.** Our costs are affected by the underlying costs of raw materials including steel, component costs including motors and micro-chips and transportations costs. Current market conditions and international conflicts that constrain supply of materials and disrupt the flow of materials from international vendors impacts the cost of our products and services. We have also seen increases in domestic fuel prices and transportation costs. These cost increases impact our margins. We are taking steps to expand and diversify our manufacturing partnerships and we are implementing alternative modes of transportation to mitigate the impacts of these current headwinds in the global supply chain and logistics market. We also have a sharp focus on our design to value initiative to improve margin by reducing manufacturing and material costs of our products.

**Megawatts ("MW") Shipped and Average Selling Price ("ASP").** The primary operating metric we use to evaluate our sales performance and to track market acceptance of our products is the change in quantity of megawatts (MW) shipped from period to period. MW are measured for each individual project and are calculated based on the expected output of that project once installed and fully operational. We also utilize metrics related to price and cost of goods sold per watt, including the change in ASP from period to period and cost per watt. ASP is calculated by dividing total revenue by total watts and cost per watt is calculated by dividing total costs of goods sold by total watts. These metrics enable us to evaluate trends in pricing, manufacturing cost and profitability. Events such as the COVID-19 pandemic and international conflicts can impact the U.S. economy, global supply chains, and our business. These impacts can cause significant shipping delays and cost increases, as well as offsetting ASP increases, and also raise the price of inputs like steel and logistics, affecting our cost per watt.

**Investment in Technology and Personnel.** We invest in both the people and technology behind our products. We intend to continue making significant investments in the technology for our products and expansion of our patent portfolio to attract and retain customers, expand the capabilities and scope of our products, and enhance user experience. We also intend to make significant investments to attract and retain employees in key positions, including sales leads, engineers, software developers, quality assurance personnel, supply chain personnel, product management, and operations personnel, to help us drive additional efficiencies across our marketplace and, in the case of sales leads, to continue to enhance and diversify our sales capabilities, including international expansion.

**Impact of the COVID-19 Pandemic.** In March of 2020, the World Health Organization declared that the worldwide spread and severity of a new coronavirus, referred to as COVID-19, was severe enough to be characterized as a pandemic. In response to the continued spread of COVID-19, governmental authorities in the United States and around the world have imposed various restrictions designed to slow the pace of the pandemic, including restrictions on travel and other restrictions that prohibit employees from going to work, including in cities where we have offices, employees, and customers, causing severe disruptions in the worldwide economy. The broader implications of the COVID-19 pandemic on our business, financial condition and results of operations remain uncertain and will depend on certain developments, including the duration and severity of the COVID-19 pandemic, the impact of virus variants, the rate of vaccinations, the COVID-19 pandemic’s impact on our customers and suppliers and the range of governmental and community reactions to the pandemic. While our day-to-day operations have been affected, the impact has been less pronounced as most of our staff has worked remotely and continued to develop our product offerings, source materials and install our products. However, we have experienced significant supply chain disruptions that have caused delays in product deliveries due to diminished vessel capacity and port detainment of vessels as a consequence of the COVID-19 pandemic (including as a result of multiple COVID-19 variants), which have contributed to an increase in lead times for delivery of our tracker systems. For instance, we experienced a COVID-related supplier production slowdown in India at the end of March 2021, which continued throughout 2021 due to the emergence of the Omicron variant. The reduced capacity for logistics is also causing increases in logistics costs. Additionally, ground operations at project sites have been impacted by health-related restrictions, shelter-in-place orders and worker absenteeism, which has resulted in delays in project completions, and these restrictions have also hindered our ability to provide on-site support to our customers and conduct inspections of our contract manufacturers. The disruptions in the global supply chain have resulted in extended lead times for some of our component parts. Management will continue to monitor the impact of the global situation on our financial condition, cash flows, operations, contract manufacturers, industry, workforce and customer relationships.

**Non-GAAP Financial Measures**

***Adjusted EBITDA, adjusted net loss and adjusted earnings per share ("EPS")***

We utilize Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS as supplemental measures of our performance. We define Adjusted EBITDA as net loss plus (i) provision (benefit) for income taxes, (ii) interest expense, net, (iii) depreciation expense, (iv) amortization of intangibles, (v) stock-based compensation, (vi) non-routine legal fees, severance and certain other costs (credits) and (vii) the loss (income) from our unconsolidated subsidiary. We also deduct the gains from the disposal of our investment in unconsolidated subsidiary and from extinguishment of our debt from net loss in arriving at Adjusted EBITDA. We define Adjusted Net Loss as net loss plus (i) amortization of debt issue costs and intangibles, (ii) stock-based compensation, (iii) non-routine legal fees, severance and certain other costs (credits), (iv) the loss (income) from our unconsolidated subsidiary and (v) income tax expense (benefit) of adjustments. We also deduct the gains or add back the losses from the disposal of our investment in unconsolidated subsidiary and from extinguishment of our debt from net loss in arriving at Adjusted Net Loss. Adjusted EPS is defined as Adjusted Net Loss on a per share basis using the weighted average diluted shares outstanding.

Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS are intended as supplemental measures of performance that are neither required by, nor presented in accordance with, U.S. generally accepted accounting principles (“GAAP”). We present Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS, because we believe they assist investors and analysts in comparing our performance across reporting periods on an ongoing basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use Adjusted EBITDA, Adjusted Net Loss and Adjusted EPS to evaluate the effectiveness of our business strategies.

Among other limitations, Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS do not reflect (i) our cash expenditures, or future requirements, for capital expenditures or contractual commitments, and (ii) the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations. Further, the adjustments noted in Adjusted EBITDA do not reflect the impact of any income tax expense or benefit. Additionally, other companies in our industry may calculate Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS differently than we do, which limits its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS should not be considered in isolation or as substitutes for performance measures calculated in accordance with GAAP, and you should not rely on any single financial measure to evaluate our business. These non-GAAP financial measures, when presented, are reconciled to the most closely applicable GAAP measure as disclosed below:

| (in thousands, except shares and per share data) | Three months ended March 31, 2022 Adjusted EBITDA | 2022 Adjusted Net Loss | 2021 Adjusted EBITDA | 2021 Adjusted Net Loss |
|---|---|---|---|---|
| **Net loss per GAAP** | $ (27,793) | $ (27,793) | $ (7,442) | $ (7,442) |
| Reconciling items - | | | | |
| Provision (benefit) for income taxes | 76 | — | (19) | — |
| Interest expense, net | 295 | — | 14 | — |
| Amortization of debt issue costs in interest expense | — | 173 | — | — |
| Depreciation expense | 121 | — | 9 | — |
| Stock-based compensation | 4,610 | 4,610 | 449 | 449 |
| (Gain) from disposal of investment in unconsolidated subsidiary[(d)] | (337) | (337) | — | — |
| (Gain) loss on extinguishment of debt | — | — | (790) | (790) |
| Non-routine legal fees[(a)] | 1,078 | 1,078 | 15 | 15 |
| Severance[(b)] | 615 | 615 | — | — |
| Other costs[(c)] | 1,370 | 1,370 | 882 | 882 |
| (Income) loss from unconsolidated subsidiary[(d)] | — | — | 218 | 218 |
| Income tax expense (benefit) attributable to adjustments | — | — | — | (8) |
| **Adjusted Non-GAAP amounts** | $ (19,965) | $ (20,284) | $ (6,664) | $ (6,676) |
| | | | | |
| **GAAP net loss per share:** | | | | |
| Basic | N/A | $ (0.28) | N/A | $ (0.11) |
| Diluted | N/A | $ (0.28) | N/A | $ (0.11) |
| | | | | |
| **Adjusted Non-GAAP net loss per share (Adjusted EPS):** | | | | |
| Basic | N/A | $ (0.20) | N/A | $ (0.10) |
| Diluted | N/A | $ (0.20) | N/A | $ (0.10) |
| | | | | |
| **Weighted-average common shares outstanding:** | | | | |
| Basic | N/A | 99,211,792 | N/A | 66,875,469 |
| Diluted | N/A | 99,211,792 | N/A | 66,875,469 |

(a) Non-routine legal fees represent legal fees incurred for matters that were not ordinary or routine to the operations of the business.
(b) Severance costs were incurred related to agreements with certain executives due to restructuring changes.
(c) Other costs in 2022 include certain costs attributable to accelerated vesting of stock-based compensation awards resulting from our IPO and shareholder follow on registration costs pursuant to our IPO. Other costs in 2021 include consulting fees in connection with operations and finance.
(d) Our management excludes the gain from current year collections of contingent contractual amounts arising from the sale in 2021 of our unconsolidated subsidiary when evaluating our operating performance, as well as the income (loss) from operations of our unconsolidated subsidiary prior to the sale.

### Key Components of Our Results of Operations

The following discussion describes certain line items in our condensed consolidated statements of operations.

***Revenue***

Revenue from the sale of Voyager Trackers and customized components of Voyager Trackers is recognized over time, as work progresses, utilizing an input measure of progress determined by cost incurred to date relative to total expected cost on these projects to correlate with our performance in transferring control over Voyager Trackers and its components. Revenue from the sale of a Voyager Tracker's individual parts is recognized point-in-time as and when control transfers based on the terms of the contract. Revenue from sale of term-based software licenses is recognized upon transfer of control to the customer. Revenue for shipping and handling services is recognized over time based on progress in meeting shipping terms of the arrangements. Subscription revenue, which is derived from a subscription-based enterprise licensing model, and support revenue, which is derived from ongoing security updates and maintenance, are generally recognized on a straight-line basis over the term of the contract.

Our customers include project developers, solar asset owners and EPC contractors that design and build solar energy projects. For each individual solar project, we enter into a contract with our customers covering the price, specifications, delivery dates and warranty for the products being purchased, among other things. Our contractual delivery period for Voyager Trackers and related parts can vary depending on size of the project and availability of vessels and other means of delivery. Contracts can range in value from tens of thousands to tens of millions of dollars.

Our revenue is affected by changes in the volume and ASP of our solar tracking systems purchased by our customers and volume of sales of software products and engineering services, among other things. The ASP of our solar tracker systems and quarterly volume of sales is driven by the supply of, and demand for, our products, changes in product mix, geographic mix of our customers, strength of competitors’ product offerings and availability of government incentives to the end-users of our products. Additionally, our revenue may be impacted by seasonality and variability related to ITC step-downs and construction activity as well as the cold weather.

The vast majority of our revenue in the periods presented was attributable to sales in the United States and Australia, with a smaller portion derived from sales in South Africa, Europe and Southeast Asia. Our revenue growth is dependent on continued growth in the number of solar tracker projects and engineering services we win in competitive bidding processes and growth in our software sales each year, as well as our ability to increase our market share in each of the geographies in which we currently compete, expand our global footprint to new emerging markets, grow our production capabilities to meet demand and continue to develop and introduce new and innovative products that address the changing technology and performance requirements of our customers, among other things.

***Cost of revenue and gross profit (loss)***

We subcontract with third-party manufacturers to manufacture and deliver our products directly to our customers. Our product costs are affected by the underlying cost of raw materials procured by these contract manufacturers, including steel and aluminum; component costs, including electric motors and gearboxes; technological innovation in manufacturing processes; and our ability to achieve economies of scale resulting in lower component costs. We do not currently hedge against changes in the price of raw materials, but we continue to explore opportunities to mitigate the risks of foreign currency and commodity fluctuations through the use of hedges and foreign exchange lines of credit. Some of these costs, primarily personnel, are not directly affected by sales volume.

We have increased our headcount since our April 2021 IPO as we scaled up our business. Our gross profit may vary period-to-period due to changes in our headcount, ASP, product costs, product mix, customer mix, geographical mix, shipping methods, warranty costs and seasonality. Pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), we received employee retention credits during 2021, which reduced the impact of increased personnel costs on our operating results during the prior year comparative period.

***Operating expenses***

Operating expenses consist of research and development expenses, selling and marketing expenses and general and administrative expenses. Personnel-related costs are the most significant component of our operating expenses and include salaries, benefits, bonuses, commissions and stock-based compensation expenses.

Our increased headcount has contributed to increased operating costs both in absolute dollars and as a percentage of revenue. While we have recently frozen non-essential hiring in response to current regulatory issues that are negatively impacting solar project activity levels, we expect to resume hiring new employees in the future as needed to support our future expected growth and in response to expected turnover. In addition, our operating costs have been impacted by (i) our level of research activities to originate, develop and enhance our products, (ii) our sales and marketing efforts as we expand our development activities in other parts of the world, and (iii) increased legal and professional fees, compliance costs, insurance, facility costs and other costs associated with our expected growth and in being a public company.

**Results of Operations - Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021**

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| (in thousands, except percentages) | Amounts | Percentage of revenue | Amounts | Percentage of revenue |
| Revenue: | | | | |
| Product | $ 30,968 | 62.5 % | $ 56,462 | 85.9 % |
| Service | 18,585 | 37.5 % | 9,245 | 14.1 % |
| Total revenue | 49,553 | 100.0 % | 65,707 | 100.0 % |
| Cost of revenue: | | | | |
| Product | 34,963 | 70.6 % | 54,996 | 83.7 % |
| Service | 23,877 | 48.2 % | 10,592 | 16.1 % |
| Total cost of revenue | 58,840 | 118.7 % | 65,588 | 99.8 % |
| **Gross profit (loss)** | (9,287 ) | (18.7 %) | 119 | 0.2 % |
| Operating expenses | | | | |
| Research and development | 2,701 | 5.5 % | 1,954 | 3.0 % |
| Selling and marketing | 1,972 | 4.0 % | 1,100 | 1.7 % |
| General and administrative | 13,818 | 27.9 % | 5,084 | 7.7 % |
| Total operating expenses | 18,491 | 37.3 % | 8,138 | 12.4 % |
| **Loss from operations** | (27,778 ) | (56.1 %) | (8,019 ) | (12.2 %) |
| Interest expense, net | (295 ) | (0.6 %) | (14 ) | 0.0 % |
| Gain from disposal of investment in unconsolidated subsidiary | 337 | 0.7 % | — | 0.0 % |
| Gain on extinguishment of debt | — | 0.0 % | 790 | 1.2 % |
| Other expense | 19 | 0.0 % | — | 0.0 % |
| Loss from unconsolidated subsidiary | — | 0.0 % | (218 ) | (0.3 %) |
| **Loss before income taxes** | (27,717 ) | (55.9 %) | (7,461 ) | (11.4 %) |
| (Provision) benefit for income taxes | (76 ) | (0.2 %) | 19 | 0.0 % |
| **Net loss** | $ (27,793 ) | (56.1 %) | $ (7,442 ) | (11.3 %) |

***Revenue***

We generate our revenue in two streams – Product revenue and Service revenue. Product revenue is derived from the sale of Voyager Trackers, customized components of Voyager Trackers, individual part sales for certain specific transactions and the sale of term-based software licenses. Service revenue includes revenue from shipping and handling services, subscription-based enterprise licensing model and maintenance and support services in connection with the term-based software licenses.

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| (in thousands) | 2022 | 2021 | $ Change | % Change |
| Product | $ 30,968 | $ 56,462 | $ (25,494 ) | (45.2 )% |
| Service | 18,585 | 9,245 | 9,340 | 101.0 % |
| Total revenue | $ 49,553 | $ 65,707 | $ (16,154 ) | (24.6 )% |

**Product revenue**

The decrease in product revenue for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, was primarily due to (i) a customer concession reserve, (ii) a 34% decrease in MW produced and (iii) a decrease of approximately 11% in ASP.

The current period decrease in MW produced was due to accelerated production and product delivery in the fourth quarter of 2021, which had the effect of reducing our project production in the current year quarter. Continued tight logistics, supply chain availability, and increased uncertainty among project owners and developers regarding the ability to obtain modules for use in their projects, which also utilize our trackers, all contributed to the production decline during the three months ended March 31, 2022. We believe the regulatory concerns regarding module availability, among other things, has slowed new and existing project activity during the three months ended March 31, 2022 by pushing some activity out to later periods in 2022 and beyond.

**Service revenue**

The increase in service revenue for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, was primarily due to an increase in MW delivered during the quarter related to logistics as well as an increase in ASP related to shipping and logistics revenue on Voyager Tracker sales, partially offset by a customer concession reserve recognized during the three months ended March 31, 2022.

***Cost of revenue and gross profit (loss)***

Cost of revenue consists primarily of Voyager Trackers' raw material costs, including purchased components, as well as costs related to freight and delivery, product warranty, supply chain personnel and consultants, insurance and customer support. Personnel costs include both direct labor costs as well as costs attributable to any individuals whose activities relate to the procurement, installation and delivery of the finished product and provision of services and are net of federal employee retention credits received.

Gross profit may vary from period-to-period and is primarily affected by our ASP, product costs, timing of tracker production and delivery, customer mix, geographical mix, shipping method, logistics costs, warranty costs and seasonality.

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| **(in thousands)** | **2022** | **2021** | **$ Change** | **% Change** |
| Product | $ 34,963 | $ 54,996 | $ (20,033) | (36.4)% |
| Service | 23,877 | 10,592 | 13,285 | 125.4% |
| Total cost of revenue | $ 58,840 | $ 65,588 | $ (6,748) | (10.3)% |
| **Gross profit (loss)** | $ (9,287) | $ 119 | $ (9,406) | (7,904.2)% |
| Gross profit (loss) percentage of revenue | (18.7%) | 0.2% | | |

The decrease in cost of revenue for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, was primarily driven by a decrease of 34% in MW produced, lower warranty costs and lower expenditures for certain retrofits, remediations and product reconfigurations compared to the same period last year. This was partially offset by increases in shipping and logistics costs during much of 2021 and into 2022, as compared to rates available during the first three months of 2021 and increases in personnel-related costs due to higher headcount levels subsequent to our IPO as we scaled up our operating structure. Cost per MW produced increased 37% due mainly to increases in shipping and logistics costs, steel prices and personnel-related costs.

Our gross profit (loss) percentage of revenue for the three months ended March 31, 2022 was a negative 18.7%, as compared to a positive 0.2% for the three months ended March 31, 2021. The decrease was due primarily to (i) a customer concession reserve of $5.0 million recognized during the three months ended March 31, 2022, (ii) increased shipping and logistics costs that were not passed on to our customers that impact our service margins and (iii) increased headcount levels in relation to lower production which impacted our product margins.

***Research and development***

Research and development expenses consist primarily of salaries (net of federal employee retention credits received during 2021), employee benefits, stock-based compensation expenses and travel expenses related to our engineers performing research and development activities to originate, develop and enhance our products. Additional expenses include consulting charges, component purchases, legal fees for registering patents and other costs for performing research and development on our software products.

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| **(in thousands)** | **2022** | **2021** | **$ Change** | **% Change** |
| Research and development | $ 2,701 | $ 1,954 | $ 747 | 38.2% |

The increase in research and development expenses was primarily attributable to (i) $0.5 million of higher payroll-related costs and (ii) $0.2 million of higher stock-based compensation expense mainly due to headcount increases allowing for expansion of our research and development activities designed to enhance our products and the absence of federal employee retention credits received subsequent to 2021. Research and development expenses as a percentage of revenue were 5.5% for the three months ended March 31, 2022, compared to 3.0% for the three months ended March 31, 2021.

***Selling and marketing***

Selling and marketing expenses consist primarily of salaries (net of federal employee retention credits received during 2021), employee benefits, stock-based compensation expenses and travel expenses related to our sales and marketing and business development personnel. Additionally, selling and marketing expenses include costs associated with professional fees and support charges for software subscriptions and licenses, trade shows and conventions.

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| **(in thousands)** | **2022** | **2021** | **$ Change** | **% Change** |
| Selling and marketing | $ 1,972 | $ 1,100 | $ 872 | 79.3 % |

The increase in selling and marketing expenses was primarily attributable to (i) $0.5 million of higher stock-based compensation expense, and (ii) $0.2 million of higher payroll-related costs related to higher headcount levels as we scaled up our operating structure following our IPO and the absence of federal employee retention credits received subsequent to 2021. In addition, we also spent an additional $0.2 million for trade shows and advertising as compared to the same period last year. Selling and marketing costs as a percentage of revenue were 4.0% for the three months ended March 31, 2022, compared to 1.7% for the three months ended March 31, 2021.

***General and administrative***

General and administrative expenses consist primarily of salaries (net of federal employee retention credits received during 2021), employee benefits, stock-based compensation expenses, and travel expenses related to our executives, finance team, and administrative employees. It also consists of legal, consulting, and professional fees, rent and lease expenses pertaining to our headquarters and international offices, business insurance costs and other costs.

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| **(in thousands)** | **2022** | **2021** | **$ Change** | **% Change** |
| General and administrative | $ 13,818 | $ 5,084 | $ 8,734 | 171.8 % |

The increase in general and administrative expenses was primarily attributable to (i) $3.2 million of higher stock-based compensation expense, (ii) $2.9 million of higher payroll-related costs due to increased headcount, (iii) $1.0 million of higher legal and other professional services costs and (iv) an increase of $1.3 million in other operating expenses, primarily related to higher insurance costs as a result of being a new public company. General and administrative expenses as a percentage of revenue were 27.9% for the three months ended March 31, 2022, compared to 7.7% for the three months ended March 31, 2021.

***Interest expense, net***

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| **(in thousands)** | **2022** | **2021** | **$ Change** | **% Change** |
| Interest expense, net | $ 295 | $ 14 | $ 281 | 2,007.1 % |

Interest expense during the three months ended March 31, 2022, primarily related to commitment fees on our revolving credit facility with Barclays Bank that we entered into in April 2021, along with associated debt issue cost amortization.

***Gain from disposal of investment in unconsolidated subsidiary***

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| **(in thousands)** | **2022** | **2021** | **$ Change** | **% Change** |
| Gain from disposal of investment in unconsolidated subsidiary | $ 337 | $ — | $ 337 | N/A |

We sold our interest in our unconsolidated subsidiary, Dimension Energy LLC ("Dimension"), on June 24, 2021. Dimension is a community solar developer based in Atlanta, Georgia that provides renewable energy solutions for local communities in the United States. The sales agreement with Dimension includes an earnout provision which provides the potential to receive additional contingent consideration of up to approximately $14.0 million through December 2024, based on Dimension achieving certain performance milestones. The sales agreement also includes a projects escrow release which is an additional contingent consideration to receive $7 million based on Dimension's completion of certain construction projects in progress at the time of the sale. We made an accounting policy election to account for the contingent gains from the earnout provision and projects escrow release only when those amounts become realizable in the periods subsequent to the disposal date.

During the three months ended March 31, 2022, we received $0.3 million from escrow for subsequent completion of certain construction projects that were in progress at the time of the sale.

***Gain on extinguishment of debt***

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| **(in thousands)** | **2022** | **2021** | **$ Change** | **% Change** |
| Gain on extinguishment of debt | $ — | $ 790 | $ (790) | (100.0)% |

In January 2021, our Paycheck Protection Program loan that was received in April 2020 pursuant to the CARES Act, was forgiven, resulting in a gain on extinguishment of debt. The terms of the CARES Act provided for loan forgiveness if the proceeds were used to retain and pay employees and for other qualifying expenditures.

***Loss from unconsolidated subsidiary***

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| **(in thousands)** | **2022** | **2021** | **$ Change** | **% Change** |
| Loss from unconsolidated subsidiary | $ — | $ 218 | $ (218) | 100.0% |

As discussed above, we sold our interest in our unconsolidated subsidiary, Dimension, on June 24, 2021. Our share of the loss from this unconsolidated subsidiary for the three months ended March 31, 2021 was $0.2 million.

**Liquidity and Capital Resources**

***Liquidity***

Since our inception, we have financed our operations primarily through sales of shares of common stock, including our IPO in April 2021, issuance of debt and payments from our customers. Our ability to generate positive cash flow from operations is dependent on contract payment terms, timely collections from our customers and the strength of our gross margins.

We have incurred cumulative losses since inception, resulting in an accumulated deficit of $177.0 million at March 31, 2022, and have a history of cash outflows from operations. During the year ended December 31, 2021, and the three months ended March 31, 2022, we had $132.9 million and $53.1 million, respectively, of cash outflow from operations. At March 31, 2022, we had $49.4 million of cash on hand, $119.8 million of working capital and approximately $98.1 million of unused borrowing capacity under our existing revolving credit facility. The revolving credit facility includes a financial condition covenant stating we are required to have a minimum liquidity, consisting of cash on hand and unused borrowing capacity, of $125.0 million as of each quarter end. After considering this financial condition covenant, we had approximately $22.4 million of available liquidity as of March 31, 2022, in order to retain access to our revolving credit facility. Additionally, we had no long-term borrowings or other material obligations requiring the use of cash as of March 31, 2022.

As of May 12, 2022, we have collected approximately $62 million of receivables since March 31, 2022, and have a cash balance of approximately $71 million.

On March 25, 2022, the U.S. Department of Commerce, in response to a petition by Auxin Solar, Inc., initiated an investigation of claims related to alleged circumvention of U.S. antidumping and countervailing duties ("AD/CVD") by solar manufacturers in certain Southeast Asian countries in an effort to determine whether or not solar cells and/or modules made in those Southeast Asian nations use parts originating from China in order to circumvent the AD/CVD tariffs. This decision has resulted in some developers deferring projects later in the year due to the uncertainty of panel supply and costs, which is expected to negatively impact our anticipated revenues and our cash flows.

Our costs are affected by certain component costs including steel, motors and micro-chips, as well as transportation costs. Current market conditions that constrain supply of materials and disrupt the flow of materials from international vendors impact the cost of our products and services. These cost increases impact our operating margins. We are taking steps to expand and diversify our manufacturing partnerships and have employed alternative modes of transportation to mitigate the impact of the current headwinds in the global supply chain and logistics markets. Additionally, we have contracted with a consulting firm to support us with improvements to our processes and performance in various areas including design, sourcing, logistics, pricing, software and standard configuration. For further information regarding this consulting firm, see Note 13 in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In accordance with ASC 205-40, Going Concern, we have evaluated whether there are conditions and events, considered in the aggregate, which raise substantial doubt about our ability to continue as a going concern within one year after the date the financial statements are issued. Based on our recurring losses from operations, impact of the U.S. Department of Commerce investigation of AD/CVD circumvention claims, the expectation of continued operating losses during 2022, and the need to improve profitability and cash flow to finance our future operations, we determined that there is substantial doubt about our ability to continue as a going concern within twelve months of the issuance date of the accompanying consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty and assumes we will continue as a going concern through the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

As we continue to address these current market challenges, management has also undertaken the following actions:

- we are in discussions with the lenders of our revolving credit facility to lower the minimum required liquidity amount, which, if successful, could result in additional liquidity;
- we have initiated a program, as described above, with third party assistance, to improve our operating performance and increase our gross margins;
- we are freezing non-essential hiring, reducing our travel expenses, decreasing the future use of consultants and deferring non-critical initiatives;
- we are negotiating improved payment terms with both our customers and vendors;
- we have initiated frequent, consistent communication with our customers, which has allowed us to resolve issues preventing timely collection of certain outstanding receivables subsequent to March 31, 2022; and
- we are exploring options to obtain additional sources of capital.

Should we not be successful in executing the above initiatives, or in reducing our historical levels of use of cash to fund our operations, or should market conditions deteriorate significantly from what we currently expect, or regulatory and international trade policies become more stringent as a result of findings from the Department of Commerce's AD/CVD investigation, or other factors, we may need to issue additional debt or obtain new equity financing to fund our operations for the next twelve months. We may be unable to obtain any desired additional financing on terms favorable to us, or at all, depending on market and other conditions. The ability to raise additional financing depends on numerous factors that are outside of our control, including general economic and market conditions, the health of financial institutions, investors' and lenders' assessments of our prospects and the prospects of the solar industry in general.

***Statements of cash flows***

In connection with preparation of our consolidated financial statements as of and for the year ended December 31, 2021, we identified an error in the classification of offering costs in the statement of cash flows for the three months ended March 31, 2021. Specifically, we incorrectly classified $1.1 million of offering costs paid as an operating cash outflow instead of a financing cash outflow in our previously issued cash flow statement for the three months ended March 31, 2021. Although we have concluded that this error is immaterial to the previously issued financial statements, we have corrected this error in the accompanying condensed consolidated statements of cash flows by revising the operating and financing cash outflows previously reported in our cash flow statement for the three months ended March 31, 2021.

The following table shows our cash flows from operating activities, investing activities and financing activities for the stated periods (revised as described above):

| (in thousands) | Three months ended March 31, 2022 | 2021 |
|---|---|---|
| Net cash used in operating activities | $ (53,106) | $ (25,904) |
| Net cash used in investing activities | (186) | (85) |
| Net cash provided by (used in) financing activities | 428 | (2,045) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 62 | 1 |
| Net decrease in cash, cash equivalents and restricted cash | $ (52,802) | $ (28,033) |

Operating activities

During the three months ended March 31, 2022, we used approximately $22.7 million of cash to fund (i) losses on certain of our projects, largely related to increased material and logistics costs due to supply chain disruptions during the past year that were not fully recoverable, (ii) higher personnel and facility-related costs associated with headcount increases, and (iii) increased professional service fees, largely as a result of being a new public company. Economic conditions during 2021 and the first three months of 2022 caused our industry to experience rapid commodity price increases and significant increases in transportation costs during the last twelve months which negatively impacted our margins in the near term and thus, our cash flow from operations.

We are taking steps to diversify our supply chain and implement design changes to lower the material requirements for our trackers in order to mitigate these economic headwinds. We believe this impact to be temporary as we work through our cost improvement roadmap.

A total of approximately $30.4 million was also used during the three months ended March 31, 2022, to fund increases in working capital and other items, largely related to (i) a slowdown in collections from customers during the period and (ii) current period project activity.

During the three months ended March 31, 2021, we used approximately $5.6 million to fund operating expenses as we continued to expand our presence to additional countries. A total of $20.3 million was also used during the three months ended March 31, 2021, to fund increases in working capital, largely related to an increase in revenue recognized in excess of customer billings resulting from project activity levels during the period.

Investing activities

During the three months ended March 31, 2022, we paid approximately $0.5 million, primarily for new lab equipment to be used for product testing, as well as new computer and IT equipment, acquired during the latter part of 2021. Additionally, we received $0.3 million from escrow in connection with our June 2021 sale of Dimension in connection with the subsequent completion of certain construction projects that were in progress at the time of the sale.

During the three months ended March 31, 2021, our capital spending on new equipment was approximately $0.1 million.

Financing activities

During the three months ended March 31, 2022, we received $0.5 million of proceeds from employee exercises of stock options.

During the three months ended March 31, 2021, we paid off the $1.0 million of outstanding borrowings under our Western Alliance Bank revolving line of credit facility and incurred approximately $1.1 million in costs associated with our IPO during the second quarter of 2021.

***Revolving line of credit***

On April 30, 2021, we entered into a senior secured revolving credit facility with various lenders, including Barclays Bank PLC, as an issuing lender, the swingline lender and as administrative agent (the “Credit Agreement”). The Credit Agreement has an initial three-year term and will be used for working capital and for other general corporate purposes. The Credit Agreement includes the following terms: (i) aggregate commitments of up to $100 million, with letter of credit and swingline sub-limits; (ii) a base rate of LIBOR, plus 3.25% per annum, (iii) initial commitment fees of 0.50% per annum; (iv) initial letter of credit fees of 3.25% per annum; and (v) other customary terms for a corporate revolving credit facility. Should LIBOR rates become unavailable during the term of the Credit Agreement, the rate per annum on loans will be based on the secured overnight financing rate (SOFR) published by the Federal Reserve Bank of New York, or a successor SOFR administrator.

We have not made any draws on the revolving credit facility as of March 31, 2022. However, at March 31, 2022, we did have a $1.9 million in letter of credit outstanding that reduced our available borrowing capacity to approximately $98.1 million.

The facility is secured by a first priority lien on substantially all of our assets, subject to certain exclusions, and customary guarantees. The Credit Agreement, as amended, includes the following financial condition covenants that we are required to satisfy: (i) maintain a minimum liquidity limit of $50 million for each quarter; (ii) maintain a 3.75 times leverage ratio; and (iii) maintain a 1.5 times interest coverage ratio. The leverage and interest coverage ratios will be triggered when we achieve $50 million in adjusted EBITDA over a trailing twelve months, or upon our election if we have achieved positive adjusted EBITDA over a trailing twelve months. Once the leverage and interest coverage ratios are triggered the minimum liquidity limit will not have a minimum limit. Minimum liquidity includes unrestricted cash plus the undrawn balance of the revolving credit facility. The minimum liquidity covenant was the only financial condition covenant we had to satisfy as of the period ended March 31, 2022. As of March 31, 2022, we were in full compliance with our financial condition covenant.

**Critical Accounting Policies and Significant Management Estimates**

We prepare our interim unaudited condensed consolidated financial statements in accordance with GAAP. The preparation of condensed consolidated financial statements also requires us 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 financial statements, and the reported revenue and expenses during the period.  We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates. Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

We believe that the accounting policies described below involve a significant degree of judgment and complexity. Accordingly, we believe these are the most critical to aid in fully understanding and evaluating our condensed consolidated financial condition and results of operations.

***Revenue recognition***

<u>Policy description</u>

We recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which we expect to be entitled to in exchange for those goods or services by following a five-step process, (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when or as the Company satisfies a performance obligation, as further described below.

Identify the contract with a customer: A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the products and services to be transferred and identifies the payment terms related to these products and services, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for products and services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. In assessing the recognition of revenue, we also evaluate whether two or more contracts should be combined and accounted for as one contract and if the combined or single contract should be accounted for as multiple performance obligations which could change the amount of revenue and profit (loss) recorded in a period. Change orders may include changes in specifications or design, manner of performance, equipment, materials, scope of work, and/or the period of completion of the project. We analyze change orders to determine if they should be accounted for as a modification to an existing contract or a new stand-alone contract.

Contracts we enter into with our customers for sale of Voyager Trackers are generally under two different types of arrangements: (1) purchase agreements and equipment supply contracts (“Purchase Agreements”) and (2) sale of individual parts of the Voyager Tracker.

Change orders from our customers are generally modifications to existing contracts and are included in the total estimated contract revenue when it is probable that the change order will result in additional value that can be reliably estimated and realized.

*Identify the performance obligations in the contract:* We enter into contracts that can include various combinations of products and services, which are either capable of being distinct and accounted for as separate performance obligations or as one performance obligation since the majority of tasks and services are part of a single project or capability. However, determining whether products or services are considered distinct performance obligations that should be accounted for separately versus together may sometimes require significant judgment.

Our Purchase Agreements typically include two performance obligations- 1) Voyager Tracker or customized components of Voyager Tracker, and 2) shipping and handling services. The deliverables included as part of the Voyager Tracker are predominantly accounted for as one performance obligation, as these deliverables are part of a combined promise to deliver a project.

The revenue for shipping and handling services will be recognized over time based on shipping terms of the arrangements, as this faithfully depicts the Company’s performance in transferring control.

Sale of individual parts of Voyager Tracker for certain specific transactions includes multiple performance obligations consisting of individual parts of the Voyager Tracker. Revenue is recognized for parts sales at a point in time when the obligations under the terms of the contract with our customer are satisfied. Generally, this occurs with the transfer of control of the asset, which is in line with shipping terms.

*Determine the transaction price:* The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring services to the customer. Such amounts are typically stated in the customer contract, and to the extent that we identify variable consideration, we will estimate the variable consideration at the onset of the arrangement as long as it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The majority of our contracts do not contain variable consideration provisions as a continuation of the original contract. None of our contracts contain a significant financing component. Taxes collected from customers and remitted to governmental authorities are not included in revenue.

*Allocate the transaction price to performance obligations in the contract:* Once we have determined the transaction price, we allocate the total transaction price to each performance obligation in a manner depicting the amount of consideration to which we expect to be entitled in exchange for transferring the good(s) or service(s) to the customer. We allocate the transaction price to each performance obligation identified in the contract on a relative standalone selling price basis.

We use the expected cost-plus margin approach based on hardware, labor, and related overhead cost to estimate the standalone selling price of the Voyager Tracker, customized components of Voyager Tracker, and individual parts of Voyager Tracker for certain specific transactions. We use the adjusted market assessment approach for all other performance obligations except shipping, handling, and logistics. For shipping, handling, and logistics performance obligations, we use a residual approach to calculate the standalone selling price, because of the nature of the highly variable and broad range of prices we charge to various customers for this performance obligation in the contracts.

*Recognize revenue when or as the Company satisfies a performance obligation:* For each performance obligation identified, we determine at contract inception whether we satisfy the performance obligation over time or at a point in time. Voyager Tracker and customized components of Voyager Tracker performance obligations in the contract are satisfied over-time as work progresses for its custom assembled Voyager Tracker, utilizing an input measure of progress determined by cost-to-cost measures on these projects as this faithfully depicts our performance in transferring control. Additionally, our performance does not create an asset with an alternative use, due to the highly customized nature of the product, and we have an enforceable right to payment for performance completed to date. Our performance obligations for individual part sales for certain specific transactions are recognized point-in-time as and when control transfers based on the Incoterms for the contract. Our performance obligations for term-based software licenses are recognized point-in-time as and when control transfers, either upon delivery to the customer or the software license start date, whichever is later. Our performance obligation for shipping and handling services is satisfied over-time as the services are delivered over the term of the contract. We recognize subscription services sales/other services on a straight-line basis over the contract period. With regard to support revenue, a time-elapsed method is used to measure progress because we transfer control evenly over the contractual period. Accordingly, the fixed consideration related to support revenue is generally recognized on a straight-line basis over the contract term.

*Contract accounting:* The timing of revenue recognition, billing, and cash collection results in the recognition of accounts receivable, unbilled receivables for revenue recognized in excess of billing, and deferred revenue in the Condensed Consolidated Balance Sheets. We may receive advances or deposits from our customers before revenue is recognized, resulting in contract liabilities, which are reflected as "deferred revenue" on our Condensed Consolidated Balance Sheets.

<u>Judgments and assumptions</u>

The timing and amounts of revenue and cost of revenue recognition, as well as recording of related receivables and deferred revenue, is highly dependent on our identification of performance obligations in each contract and our estimates by contract of total project cost and our progress toward project completion as of each period end. Certain estimates are subject to factors outside of our control that may impact our suppliers and the global supply chain. As an example, we began to experience increases in steel prices and shipping and logistics costs, as well as delays in delivery of our products to customers during 2021, which negatively impacted our results of operations as we were not able to recover all of the additional costs under certain of our fixed fee contracts. We base our estimates on the best information available at each period end, but future events and their effects cannot be determined with certainty, and actual results could differ materially from our assumptions and estimates.

***Accounts receivable, net***

<u>Policy description</u>

Trade receivables are recorded at invoiced amounts, net of allowances for doubtful accounts if applicable, and do not bear interest. We generally do not require collateral from our customers; however, in certain circumstances, we may require letters of credit, other collateral, additional guarantees or advance payments. The allowance for doubtful accounts is based on our assessment of the collectability of our customer accounts.

We plan to adopt ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments effective January 1, 2023. For the three months ended March 31, 2022 and 2021 we have utilized the incurred loss model in estimating our allowance for doubtful accounts.

<u>Judgments and assumptions</u>

We regularly review our accounts receivable that remain outstanding past their applicable payment terms and establish allowances or make potential write-offs by considering certain factors such as historical experience, industry data, credit quality, age of balances and current economic conditions that may affect a customers' ability to pay.

Adjustments to the allowance may either impact the amount of revenue previously recognized or bad debt expense depending on the facts and circumstances leading to the adjustment. Adjustments to amounts originally estimated to be collectible that are considered to be potential price concessions as a result of a dispute regarding performance or other matters affecting customer relationships will result in a reduction in revenue whereas adjustments due to changes in customer credit risk or their expected ability to pay will be recognized in bad debt expense.

***Warranty***

<u>Policy description</u>

Typically, the sale of Voyager Tracker projects includes parts warranties to customers as part of the overall price of the product. We provide standard assurance type warranties for our products for periods generally ranging from five to ten years. We record a provision for estimated warranty expenses in cost of sales, net of amounts recoverable from manufacturers under their warranty obligations to us. We do not maintain general or unspecified reserves; all warranty reserves are related to specific projects. All actual or estimated material costs incurred for warranty services in subsequent periods are charged to those established reserves.

Judgments and assumptions

We base our estimated warranty obligations on our historical experience and forward-looking factors including the nature and frequency of product failure rates and costs to address future claims. These estimates are inherently uncertain given our relatively short history of sales and changes to our historical or projected warranty experience may result in material changes to our warranty reserve in the future. Additionally, we make estimates of what costs we believe will be recoverable from the manufacturer of our products that we use to offset our obligations to our customers.

While we periodically monitor our warranty activities and claims, if actual costs incurred were to be different from our estimates, we would recognize adjustments to our warranty reserves in the period in which those differences arise or are identified. Such adjustments could be material to our results of operations in the period the adjustments are made.

***Stock-based compensation***

Policy description

We recognize compensation expense for all share-based payment awards made, including stock options and restricted stock, based on the estimated fair value of the award on the grant date, in the accompanying consolidated statement of operations and comprehensive loss. We calculate the fair value of stock options using the Black-Scholes Option-Pricing model while the fair value of restricted stock grants is based on the estimated fair value of the Company's common stock on the date of grant. Forfeitures are accounted for as they occur. For service-based awards, stock-based compensation is recognized using the straight-line attribution approach over the requisite service period. For performance-based awards, stock-based compensation is recognized based on graded vesting over the requisite service period when the performance condition is probable of being achieved.

Judgments and assumptions

The Black-Scholes model relies on various assumptions, in addition to the exercise price of the option and the value of our common stock on the date of grant. These assumptions include:

*Expected Term:* The expected term represents the period that the Company’s stock-based awards are expected to be outstanding and is calculated as the average of the option vesting and contractual terms, based on the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options.

*Expected Volatility:* Since the Company did not have a trading history of its common stock prior to our IPO and since such trading history subsequent to our IPO is limited, the expected volatility is derived from the average historical stock volatilities of several public companies within the Company’s industry that it considers to be comparable to its business over a period equivalent to the expected term of the stock option grants.

*Risk-Free-Interest-Rate:* The Company bases the risk-free interest rate on the implied yield available on US Treasury zero-coupon issues with a remaining term equivalent to the expected term.

*Expected Dividend:* The Company has not issued any dividends in its history and does not expect to issue dividends over the life of the options and, therefore, has estimated the dividend yield to be zero.

Changes to any of these assumptions, but particularly our estimates of expected term and volatility, could change the fair value of our options and impact the amount of stock-based compensation expense we report each period.

***JOBS Act accounting election***

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We elected to use the allowed extended transition period for adopting new or revised accounting standards.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of customer concentrations and fluctuations in steel, aluminum and logistics/transportation prices. We do not hold or issue financial instruments for trading purposes.

***Commodity Price Risk***

We subcontract to various contract manufacturers, who manufacture and deliver products directly to our customers. We, therefore, do not procure raw materials and commodities directly. We are subject to indirect risk from fluctuating market prices of certain commodity raw materials, including steel and aluminum, that are used in our products, through our contract manufacturers, as increases in these commodity prices would increase our cost of procuring subcontracting services. Prices of these raw materials may be affected by supply restrictions or other market factors from time to time. Significant price increases for these raw materials could reduce our operating margins if we are unable to recover such increases in costs from our customers, and could harm our business, financial condition and results of operations.

## ITEM 4. CONTROLS AND PROCEDURES

***Evaluation of disclosure controls and procedures***

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures. Solely as a result of the material weaknesses described below, our principal executive officer and principal financial officer concluded that, as of March 31, 2022, our disclosure controls and procedures were not effective.

We have performed additional analyses, reconciliations, and other post-closing procedures and have concluded that, notwithstanding the material weaknesses in our internal control over financial reporting, the consolidated financial statements fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

***Limitations on effectiveness of disclosure controls and procedures***

In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

***Description of material weaknesses***

We determined that we had material weaknesses in our internal controls over financial reporting as of December 31, 2021. Specifically, we identified certain control deficiencies in the design and operation of our internal controls over financial reporting that constituted the following material weaknesses:

- We did not have a sufficient complement of experienced personnel with the requisite technical knowledge of public company accounting and reporting and for non-routine, unusual or complex transactions. This material weakness contributed to the following material weaknesses.
- We did not design and maintain adequate controls over the period-end close and financial reporting process including establishment of accounting policies and procedures, certain account reconciliations, cut-off, segregation of duties, journal entries and financial statement preparation. This material weakness contributed to material adjustments in prior consolidated financial statements principally, but not limited to, the following areas: earnings per share calculations, definite-lived intangibles, warranty obligation, cut-off of revenue transactions and related cost of sales. This material weakness also

contributed to misstatements in our stock-based compensation and weighted-average common shares outstanding, which led to the revision of our interim consolidated financial statements as of June 30, 2021 and for the three- and six-months period then ended.

- We did not design and maintain effective information technology general controls over the IT systems used for preparation of the financial statements. Specifically, we did not design and maintain (i) program change management controls to ensure that information technology program and data changes affecting financial IT applications and underlying accounting records were identified, tested, authorized and implemented appropriately; (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs and data to appropriate Company personnel; and (iii) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements.

  Although there were no material adjustments to prior period consolidated financial statements as a result of IT deficiencies, these IT deficiencies, when aggregated, could impact the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would not be prevented or detected. Accordingly, we have determined that these IT deficiencies in the aggregate constitute a material weakness.

Additionally, the above material weaknesses could result in a misstatement of our account balances or disclosures that would result in a material misstatement of the annual or interim financial statements that would not be prevented or detected.

***Remediation plan for the material weaknesses***

To address our material weaknesses, we have implemented and continue to implement a remediation plan. We have added key personnel with requisite technical knowledge of public company accounting including a Director of SEC Reporting and Technical Accounting, a Director of Tax Accounting and Reporting and a Corporate Controller. We also hired an experienced Director of Internal Audit that reports directly to the audit committee of our board of directors. We hired a Chief Information Officer & Chief Data Officer and a Director of Information Technology to strengthen our information technology infrastructure. During 2021, we implemented Blackline's account reconciliation tool, and ensured segregation of duties for journal entries and account reconciliations. We have been formalizing documentation of accounting and IT policies and internal controls. In addition, a disclosure committee charter was established, and several training sessions related to internal controls and disclosure controls were provided. While we believe these efforts will improve our internal control over financial reporting, the implementation and validation of our remediation is ongoing and may not be sufficient to remediate these weaknesses or to avoid the identification of material weaknesses in the future, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows, including our filing of quarterly or annual reports with the SEC.

***Changes in internal control***

There have been no changes in our internal control over financial reporting that occurred during the period covered by this report, other than our (i) hiring a new Corporate Controller with public-company accounting experience and a new Chief Information Officer & Chief Data Officer, (ii) implementing a new stock-based compensation reporting system and (iii) establishing controls over tracking and reporting of our stock-based compensation awards that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

From time to time, we are subject to routine legal proceedings in the normal course of operating our business. Currently there are no claims or proceedings against us that we believe will have a material adverse effect on our business, financial condition, results of operations or cash flows.

On April 21, 2021, FCX Solar, LLC (“FCX”), filed a lawsuit against us in the United States District Court for the Southern District of New York. The complaint alleged breach of contract, fraud and unjust enrichment claims related to a patent license agreement and consulting relationship between FCX and us. FCX sought damages of approximately $134 million in the lawsuit. On July 2, 2021, we filed a motion to dismiss the fraud and unjust enrichment claims. On July 16, 2021, FCX filed an amended complaint asserting the same claims as the original complaint. On July 22, 2021, we advised the court that FTC would stand on its motion to dismiss, and at the request of the court, we filed a revised motion citing the amended complaint. FCX filed its response on August 19, 2021, and we filed a reply on September 7, 2021. Oral argument on our motion to dismiss was held on February 3, 2022, and the Court granted our motion on February 7, 2022, dismissing FCX's fraud and unjust enrichment claims and leaving only a claim for breach of a license agreement. On April 15, 2022, FCX filed a motion to amend its complaint to add two additional claims for breach of the license agreement and to remove the dismissed claims, including its request for damages of approximately $134 million. We intend to oppose FCX's motion to add new breach of contract claims. On May 29, 2021, FCX filed a separate lawsuit against us in the United States District Court for the Western District of Texas, alleging a claim for patent infringement related to U.S. Patent No. 10,903,782. FCX seeks an unspecified amount of damages, including past and future royalties, and injunctive relief. Our answer to that complaint was filed on June 22, 2021, along with our motion to transfer the patent suit to the Southern District of New York to be consolidated with the New York litigation. FCX filed an amended complaint asserting claims for direct patent infringement, indirect infringement by active inducement, and contributory infringement on July 27, 2021, and we filed our answer to that complaint on August 10, 2021. On October 25, 2021, our motion to transfer the case to the Southern District of New York was granted, and the patent case was consolidated with FCX's contract case on November 19, 2021. Discovery in this consolidated matter is ongoing. We believe the claims asserted in both lawsuits are without merit, and we plan to vigorously defend against them. We and our management considered (a) the facts described above, (b) the preliminary stages of the proceedings and (c) the advice of outside legal counsel on the claims and determined that it is not probable that FCX will prevail on the merits. At this time, we believe that the likelihood of any material loss related to these matters is remote given the strength of our defenses.

## ITEM 1A. RISK FACTORS

We are subject to a number of risks that if realized could adversely affect our business, strategies, prospects, financial condition, results of operations and cash flows. Some of the more significant risks and uncertainties we face include those summarized below. The summary below is not exhaustive and is qualified by reference to the full set of risk factors set forth in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 ("Annual Report"). Please carefully consider all of the information in this Quarterly Report on Form 10-Q and our Annual Report, including the full set of risks set forth in Item 1A. "Risk Factors" of our Annual Report, and in our other filings with the SEC before making an investment decision regarding us.

- Risks related to our business and our industry – We are a new public company with a history of losses that provides products and services to the solar industry, which is rapidly changing and dependent on being competitive with the price of electricity generated from other sources. We face competition from other companies that may be larger than us and have more financial resources than we have which could impact our ability to compete for new business.
- Risks related to the COVID-19 pandemic – We face risks of significant supply chain disruptions that can cause delays in product deliveries and result in financial penalties and in our ability to serve our customers at their project sites and to meet their training needs due to the lack of availability of qualified personnel and the impact of governmental health-related restrictions and shelter-in-place orders.
- Risks related to intellectual property – We face the risk of not being able to adequately protect or defend our intellectual property and property rights in the various countries in which we do business.
- Risks related to manufacturing and supply chain – We face risks in meeting the needs of our customers due to our reliance on contract manufacturers, including on their ability to obtain raw materials in a cost effective and timely manner and to provide timely deliveries of finished products to us and our customers.

- Risks related to government regulation and legal compliance – We face risks to the demand for our products from our customers due to changes in or expiration of governmental incentives and existing tax credits and other benefits. Additionally, changes in the trade environment and tax treaties between the United States and other countries, such as China, as well as import tariffs could adversely affect our business.
- Risks related to information technology and data privacy – We face reputational and monetary risks from cybersecurity deficiencies and the unauthorized disclosure of personal or sensitive data relating to our employees, customers, vendors and others.
- Risks related to ownership of our common stock – The holders of our common stock face a risk of loss in their investment in us due to fluctuations in our stock price as a result of changing market conditions, international trade tensions, our future financial performance, our corporate legal structure and the substantial ownership in our stock by our directors, executive officers and principal stockholders.

Additionally, as described further in Note 2 in Part 1, Item 1 under the section "Liquidity" and in Part 1, Item 2 of this Quarterly Report on Form 10-Q under the section "Liquidity and Capital Resources", we have a history of cash outflows to fund operations. At March 31, 2022, we have $22.4 million of available liquidity, after taking into consideration a minimum liquidity covenant in our senior secured revolving credit facility.

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

**Unregistered Sales of Equity Securities**

None.

**Use of Proceeds from Initial Public Offering of Common Stock**

On April 30, 2021, the Company completed an IPO (Commission file number 333-254797) of 19,840,000 shares of its common stock receiving proceeds of $241.2 million, net of underwriting discounts and commissions, but before offering costs. Prior to the completion of the IPO, the board of directors and stockholders approved an approximately 8.25-for-1 forward stock split of the Company’s shares of common stock which became effective on April 28, 2021. Proceeds from the IPO were used to purchase an aggregate of 4,455,384 shares of our common stock at a cost of $54.2 million, including shares resulting from the settlement of certain vested restricted stock units and exercise of certain options in connection with the IPO at the IPO price, less underwriting discounts and commissions. The remaining proceeds have been used and continue to be used for general corporate purposes, including working capital, capital expenditures and operating expenses. There has been no material change in our planned use of the net proceeds from the IPO as described in our final prospectus filed with the SEC pursuant to Rule 424(b).

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

The following exhibits are filed as part of this report:

| Exhibit Number | | Description |
|---|---|---|
| 3.1 | ** | Amended and Restated Certificate of Incorporation of FTC Solar, Inc.(filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2021 and incorporated herein by reference). |
| 3.2 | ** | Amended and Restated Bylaws of FTC Solar, Inc.(filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2021 and incorporated herein by reference). |
| 3.3 | ** | Certificate of Correction of Amended and Restated Certificate of Incorporation (Filed as Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 8, 2021 and incorporated herein by reference) |
| 4.1 | ** | Specimen Common Stock Certificate (filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 29, 2021 and incorporated herein by reference) |
| 10.2 | ** | Amendment No. 1 to Registration Rights Agreement, dated February 17, 2022, by and among FTC Solar, Inc. and certain holders of its capital stock (filed as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 21, 2022 and incorporated herein by reference) |
| 10.4 | * | Amendment No. 1 to Senior Secured Revolving Credit Facility, by and among FTC Solar, Inc., as borrower, HSBC Bank USA, N.A. and Barclays Bank PLC, as an issuing lender and as administrative agent. |
| 10.5 | * | Employment Agreement by and between FTC Solar, Inc. and Robert Phelps Morris. |
| 31.1 | * | Certification of Principal Executive Officer Pursuant to SEC Rule 13a−14(a)/15d−14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | * | Certification of Principal Financial Officer Pursuant to SEC Rule 13a−14(a)/15d−14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | * | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | * | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 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 (formatted as Inline XBRL and contained in exhibit 101) |

* Filed herewith
** Incorporated herein by reference

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

| | |
|---|---|
| | **FTC SOLAR, INC.** |
| Date: May 16, 2022 | /s/ Sean Hunkler |
| | Sean Hunkler, Chief Executive Officer |
| Date: May 16, 2022 | /s/ Phelps Morris |
| | Phelps Morris, Chief Financial Officer |

**Exhibit 10.4**

# AMENDMENT NO. 1 TO CREDIT AGREEMENT

This Amendment No. 1 to Credit Agreement, dated as of December 2, 2021 (this "***Amendment***"), is entered into by and among FTC SOLAR, INC., a Delaware corporation (the "***Borrower***"), HSBC BANK USA, N.A. ("***HSBC***") and BARCLAYS BANK PLC, as an Issuing Lender (in such capacity, the "***Barclays Issuing Lender***") and as administrative agent (in such capacity, the "***Administrative Agent***").

W I T N E S S E T H:

WHEREAS, the Borrower, the Lenders and Issuing Lenders from time to time party thereto and the Administrative Agent are parties to that certain Credit Agreement, dated as of April 30, 2021 (the "***Existing Credit Agreement***"), as amended hereby (the "***Amended Credit Agreement***"; capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Amended Credit Agreement) and as may be further amended from time to time;

WHEREAS, pursuant to Section 3.12(b) of the Existing Credit Agreement, the Borrower may designate as additional Issuing Lenders one or more Revolving Lenders that agree to serve in such capacity and, in connection with such appointment, the Borrower, the Administrative Agent and such designated Revolving Lender may amend Schedule 1.1 of the Credit Agreement for the purpose of identifying such designated Revolving Lender's L/C Commitment;

WHEREAS, pursuant to the definition of "L/C Commitment" in the Existing Credit Agreement, the Borrower and any Issuing Lender may agree to decrease such Issuing Lender's L/C Commitment in a writing acknowledged by the Administrative Agent;

WHEREAS, the Borrower desires to decrease the L/C Commitment of the Barclays Issuing Lender, designate HSBC, a Revolving Lender, as an additional Issuing Lender, and identify the L/C Commitment of HSBC, and HSBC agrees to accept such appointment and L/C Commitment.

Accordingly, in accordance with Section 1.1 and Section 3.12(b) of the Existing Credit Agreement, the Borrower, HSBC, the Barclays Issuing Lender and the Administrative Agent agree as follows:

## 1.
## APPOINTMENT OF ADDITIONAL ISSUING LENDER

Pursuant to Section 3.12(b) of the Existing Credit Agreement, the Borrower hereby designates HSBC as an Issuing Lender under the Amended Credit Agreement and HSBC hereby accepts such appointment. From and after the Amendment Effective Date, HSBC shall have all of the rights and obligations of an Issuing Lender under the Amended Credit Agreement and any references in the Amended Credit Agreement or any other Loan Document to the term "Issuing Lender" shall be deemed to include HSBC in its capacity as an issuer of Letters of Credit under the Amended Credit Agreement.

## 2.
## AMENDMENT TO CREDIT AGREEMENT

Each of the parties hereto agree that, effective on the Amendment Effective Date, Schedule 1.1 of the Existing Credit Agreement is hereby amended to (a) decrease the L/C Commitment of the Barclays Issuing Lender from $20,000,000 to $15,000,000 and (b) identify the L/C Commitment of HSBC as $5,000,000.

## 3.
## CONDITIONS TO EFFECTIVENESS

This Amendment shall become effective on the first date (the "***Amendment Effective Date***") on which the Administrative Agent (or its counsel) shall have a counterpart of this Amendment signed on behalf of each of the Borrower, HSBC, the Barclays Issuing Lender and the Administrative Agent.

## 4.
## MISCELLANEOUS

**a.** **Headings**. The various headings of this Amendment are included for convenience of reference only and shall not affect the interpretation of this Amendment or any provision hereof.

**b.** **Execution in Counterparts; Electronic Execution**. This Amendment may be executed in two or more counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute but one contract, and shall become effective as provided in Article III. Delivery of an executed counterpart to this Amendment by facsimile transmission (or other electronic transmission pursuant to procedures approved by the Administrative Agent) shall be as effective as delivery of a manually signed original. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or by email as a ".pdf" or ".tif" attachment shall be effective as delivery of a manually executed counterpart of this Amendment. The words "execution," "signed," "signature," "delivery," and words of like import in this Amendment or any other document to be signed in connection with this Amendment and the transactions contemplated hereby shall be deemed to include electronic signatures, electronic records or the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

**c.** **Governing Law**. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

**d.** **Entire Agreement**. This Amendment and the other Loan Documents constitute the entire contract between the parties relative to the subject matter hereof. Any previous agreement among or representations from the parties or their Affiliates with respect to the subject matter hereof is superseded by this Amendment and the other Loan Documents. Nothing in this Amendment or in the other Loan Documents, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Amendment or the other Loan Documents.

**e.** **Loan Document Pursuant to Amended Credit Agreement**. This Amendment shall constitute a "Loan Document" for all purposes of the Existing Credit Agreement and the other Loan Documents and shall be construed, administered and applied in accordance with all of the terms and provisions of the Existing Credit Agreement (and, following the date hereof, the Amended Credit Agreement). From and after the Amendment Effective Date, each reference in the Existing Credit Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import, and each reference to the Existing Credit Agreement in any other Loan Document shall be deemed a reference to the Amended Credit Agreement.

**IN WITNESS WHEREOF**, the parties have duly executed this Amendment on the day and year first written above.

**FTC SOLAR, INC.**,
as the Borrower

By: /s/ Patrick Cook
Name: Patrick Cook
Title: Chief Financial Officer

**BARCLAYS BANK PLC**, as Administrative Agent and Issuing Lender

By: /s/ May Huang
Name: May Huang
Title: Assistant Vice President

**HSBC BANK USA, N.A.**, as a Revolving Lender

By: /s/ Ryan Whaley
Name: Ryan Whaley
Title: SVP, Senior Corporate Banking Manager

*[Amendment No. 1 to Credit Agreement]*

**Exhibit 10.5**

# FTC SOLAR, INC.

## EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made and entered into as of March 31, 2022, by and between FTC Solar, Inc., a Delaware corporation (the "Company" and together with its Affiliates, the "Company Group"), and Phelps Morris ("Executive" and, together with the Company, the "Parties").

RECITALS

WHEREAS, the Parties intend that Executive shall serve the Company as its Chief Financial Officer effective as of March 31, 2022 (the "Effective Date") under the terms and conditions specified herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt of which are hereby acknowledged, the Parties hereto agree as follows:

1. Term. Executive's employment with the Company Group under the terms and conditions of this Agreement shall begin as of the Effective Date and shall continue until such time as Executive's employment is terminated in accordance with the terms and conditions of Section 5 of this Agreement (the "Term"). Notwithstanding any provision of this Agreement to the contrary, Executive shall be employed on an "at-will" basis and Executive's employment may be terminated by either Party at any time.

2. Title; Services and Duties.

(a) During the Term, Executive shall be employed by the Company as its Chief Financial Officer, and shall report to the Chief Executive Officer of the Company, pursuant to the terms of this Agreement.

(b) During the Term, Executive shall (i) be a full-time employee of the Company, or such other member of the Company Group as determined by the Board of Directors of the Company (the "Board"), (ii) have such duties, responsibilities and authority as are reasonably prescribed by the Chief Executive Officer of the Company from time to time and normally associated with the roles of chief financial officer at an entity of similar size and nature as the Company and (iii) devote substantially all of Executive's business time and best efforts to the performance of his duties to the Company Group and shall not engage in any other business, profession or occupation for compensation. Notwithstanding the foregoing, Executive may (x) serve as a director or advisor of non-profit organizations without approval of the Board and as director or advisor of for profit companies with the prior approval of the Board, which shall not be unreasonably withheld, (y) perform and participate in charitable civic, educational, professional, community, industry affairs and other related activities, and (z) manage personal investments; provided, however, that such activities do not materially interfere, individually or in the aggregate, with the performance of his duties hereunder and do not materially breach the Proprietary

Information and Inventions Agreement between Executive and the Company or Section 6(c) hereof or have an adverse impact on the Company Group.

(c) The principal location of Executive's employment with the Company shall be at the Company's headquarters in Austin, Texas, although Executive understands and agrees that Executive may be required to travel from time to time for business reasons.

3. Compensation.

(a) Base Salary. The Company Group shall pay Executive a base salary in the amount of $310,000.00 per annum, as adjusted as permitted herein (the "Base Salary") during the Term, payable in accordance the Company Group's regular payroll practices as in effect from time to time. The Base Salary shall be periodically reviewed by the Board during the Term and subject to change upon reasonable notice.

(b) Cash Bonus.

(i) Executive shall be eligible to participate in the Company's annual incentive plan for each fiscal year of the Company during the Term with a target amount equal to 60% of the Base Salary (the "Target Bonus"). The Target Bonus may be increased, but not decreased during the Term. The actual amount of the annual cash bonus, if any, payable to Executive in respect of any fiscal year during the Term may be based on the achievement of performance criteria established by, and may relate to financial and non-financial metrics as determined by, the Board or the Compensation Committee of the Board.

(ii) Any annual cash bonus that becomes payable to Executive under this Section 3(b) shall be paid to Executive, in cash, as soon as practicable following the end of the year of the Company to which it relates; provided, that, except as otherwise provided in Section 5(a)(ii), Section 5(b) or Section 5(c) herein, Executive is an active employee of the Company Group, and has not given or received notice of termination or resignation of employment as of the date on which such payment is made.

(c) Long Term Incentives. Executive shall be eligible to participate in the long-term incentive compensation program adopted by the Compensation Committee from time to time in its sole discretion.

(d) RSUs. Executive shall received restricted stock units ("RSUs") in the Company as set forth on that certain employment letter agreement entered into prior to the date hereof between the Company and Executive; provided, that the amount of such RSUs shall be increased from $750,000 worth of RSUs instead of $600,000 as stated in such letter agreement.

4. Employee Benefits.

(a) Employee Benefits and Perquisites. During the Term, Executive shall be eligible to participate in all benefit plans made available by the Company Group to its executives generally. Such benefits shall be subject to the applicable limitations and requirements imposed by the terms of such benefit plans and shall be governed in all respects in accordance with the terms of such plans as in effect from time to time. Nothing in this Section 4(a), however, shall require the Company or any member of the Company Group to maintain any benefit plan or provide any type or level of benefits to its current or former employees, including Executive.

(b) Paid Vacation. During the Term, Executive shall be entitled to paid vacation in accordance with the terms and conditions of the Company's vacation policies as in effect from time to time.

(c) Reimbursement of Business Expenses. The Company Group shall reimburse Executive for any expenses reasonably and necessarily incurred by Executive during the Term in furtherance of Executive's duties hereunder, including travel, meals and accommodations, upon submission by Executive of vouchers or receipts and in compliance with such rules and policies relating thereto as the Company may from time to time adopt.

5. Termination of Employment. Executive's employment shall be terminated at the earliest to occur of the following during the Term: (i) the date on which the Company Group provides notice to Executive of termination for "Disability" (as defined below); (ii) the date of Executive's death; (iii) the date on which the Company Group provides notice to Executive of termination for "Cause" (as defined below); (iv) the date which is 30 days following the date on which the Company Group provides notice to Executive of termination without Cause (or, in the sole discretion of the Company, pay in lieu of 30 days' notice of termination); (v) the date which is 30 days following the date on which Executive provides notice to the Company of termination of employment by Executive other than for "Good Reason" (as defined below); or (vi) the applicable date set forth in the definition of Good Reason if such termination is by Executive for Good Reason. For purposes of this Agreement, the last day of Executive's employment with the Company for any reason shall be referred to herein as the "Date of Termination."

(a) For Cause; Resignation by Executive Other than for Good Reason; Death or Disability. If Executive's employment with the Company Group is terminated by the Company for Cause or as a result of Executive's death or Disability, or Executive resigns his employment other than for Good Reason, Executive shall not be entitled to any further compensation or benefits other than, in each case if applicable as of the Date of Termination: (i) any accrued but unpaid Base Salary (payable as provided in Section 3(a) hereof); (ii) if the Executive's employment with the Company Group is terminated as a result of Executive's death or Disability, any unpaid annual cash bonus for the immediately preceding (completed) fiscal year, as determined and payable at the same time as other senior officers of the Company; (iii) reimbursement for any expenses properly incurred and reported by Executive prior to the Date of Termination in accordance with Section 4(c) hereof, payable on the Company Group's first regularly scheduled payroll date which occurs at least 10 business days after the Date of Termination; and (iv) vested employee benefits, if any, to which Executive may be entitled under the Company Group's employee benefit plans described in Section 4(a) and Section 4(b) as of the Date of Termination (collectively, the "Accrued Rights").

(b) Termination by the Company without Cause or Resignation for Good Reason. If Executive's employment is terminated by the Company Group without Cause or Executive terminates his employment for Good Reason, then Executive shall be entitled to receive the Accrued Rights, and if (x) subject to Section 5(d), Executive executes a release of claims in the form attached as Exhibit A hereto, subject to any revisions necessary to reflect changes in applicable law occurring after the date hereof (the "Release"), and the applicable revocation period with respect to the Release expires within 60 days (or such longer period as required by law) following the Date of Termination and (y) Executive does not breach in any material respect the restrictive covenants set forth in Section 6 hereof, then Executive shall receive the following:

(i) An amount in cash equal to one times the Base Salary as in effect immediately prior to the Date of Termination (without regard to any reduction resulting in Good Reason), which amount shall be payable in substantially equal installments during the 12 month period immediately following the Date of Termination in accordance with the Company Group's regular payroll practices as in effect from time to time; provided, that, the first such payment shall be made on the first regularly scheduled payroll date of the Company Group that occurs on or following the 60th day after the Date of Termination (the "Payment Commencement Date") and shall include all payments that would have been made to Executive had such payments commenced on the first regularly scheduled payroll date of the Company Group following the Date of Termination;

(ii) any unpaid annual cash bonus for the immediately preceding (completed) fiscal year as determined and payable at the same time as other senior officers of the Company for such year, and a pro rata annual cash bonus for the year in which the Date of Termination occurs for days worked through the Date of Termination, based on actual Company financial performance, payable at the same time as annual cash bonuses are paid to senior officers of the Company for such year; and

(iii) with respect to health insurance coverage, COBRA benefits (to the extent elected by the Executive) and a lump sum payment equal to the cost of COBRA benefits for Executive and his spouse and eligible dependents for a period of 18 months following the Date of Termination, payable on the Payment Commencement Date. Executive acknowledges that such payments shall be taxable to him.

(c) Termination by the Company without Cause or Resignation for Good Reason on or Following a Change in Control. If, on or within 12 months following a Change in Control, Executive's employment is terminated by the Company Group without Cause or Executive resigns his employment for Good Reason, then Executive shall be entitled to receive the Accrued Rights, and if (x) subject to Section 5(d), Executive executes the Release, subject to any revisions necessary to reflect changes in applicable law occurring after the date hereof, and the applicable revocation period with respect to the Release expires within 60 days (or such longer period as required by law) following the Date of Termination and (y) Executive does not breach in any material respect the restrictive covenants set forth in Section 6 hereof, then Executive shall receive the following:

(i) An amount in cash equal to one times the sum of (A) the Base Salary as in effect immediately prior to the Date of Termination (without regard to any reduction resulting in Good Reason) and (B) the Target Bonus (without regard to any reduction resulting in Good Reason), which amount shall be payable in a lump sum on the first regularly scheduled payroll date of the Company Group that occurs on or following the Payment Commencement Date;

(ii) any unpaid annual cash bonus for the immediately preceding (completed) fiscal year as determined and payable at the same time as other senior officers of the Company, and a pro rata annual cash bonus for the year in which the Date of Termination occurs for days worked through the Date of Termination, based on actual Company financial performance, payable in each case at the same time as annual cash bonuses are paid to senior officers of the Company for such years;

(iii) with respect to health insurance coverage, COBRA benefits (to the extent elected by Executive) and a lump sum payment equal to the cost of COBRA benefits for Executive and his spouse and eligible dependents for a period of 18 months following the Date of Termination, payable on the Payment Commencement Date. Executive acknowledges that such payments shall be taxable to him;

(iv) The stock option awards held by Executive shall become vested and exercisable in full, the restricted stock units held by Executive shall become vested in full (and the Company shall be required to thereafter settle such restricted stock units in common stock (provided that, to the extent that the restricted stock unit award is subject to Section 409A of the Code, the restricted stock units shall be settled at the time and in the form required by the restricted stock unit award agreement), and any other restrictions with respect to any stock-based awards held by Executive shall lapse in full (including for any performance-based award, with respect to the number of shares that would be earned at the target level of achievement), and, in the case of stock options, any such stock options (together with any stock options that have vested and become exercisable prior to the Date of Termination) shall remain exercisable for a period of 90 days following the Date of Termination. The provisions of this clause (iii) shall apply in respect of any stock options, restricted stock units or other stock-based award of Executive, whether issued prior to the date hereof or after the date hereof, and whether issued pursuant to a stock incentive plan of the Company or otherwise. The provisions of this clause (iii) shall be fully incorporated into any agreement between the Company and Executive governing stock options, restricted stock units or other stock-based awards of Executive, and shall supplement (and shall not limit or restrict) any other rights of Executive under any such agreement related to accelerated vesting or exercise or lapsing of any restrictions for stock-based awards (or the terms of any stock incentive plan that is incorporated therein); and

(v) The Company also shall pay to Executive all legal fees and expenses incurred by Executive in disputing in good faith any issue hereunder relating to the termination of the Executive’s employment, in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of Executive’s written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require; provided that in no event will payment be made for requests that are submitted later than December 31$^{st}$ of the year following the year in which the expense is incurred.

(d) If the Company does not provide the Release to Executive within ten (10) business days of the Date of Termination pursuant to Section 5(b) or 5(c), as the case may be, or if the Company informs Executive that Executive will not be obligated to sign the Release, then Executive shall be entitled to receive the severance and other benefits provided by such section without signing the Release.

(e) Definitions. For purposes of this Agreement:

(i) "Affiliate" as applied to any Person, means any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For the purposes of this definition "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities (the ownership of more than 50% of the voting securities of an entity shall for purposes of this definition be deemed to be "control"), by contract or otherwise.

(ii) "Cause" means (in each case, other than due to death or Disability): (A) Executive's conviction of, or plea of guilty or *nolo contendere* to, any felony or crime involving fraud, misrepresentation or moral turpitude (excluding traffic offenses other than traffic offenses involving the use of alcohol or illegal substances); (B) any act of theft, dishonesty, embezzlement or misappropriation by Executive against the Company or any of its Affiliates that has or could reasonably be expected to result in economic harm to any member of the Company Group; (C) Executive's willful or material breach of a fiduciary obligation or any willful malfeasance or gross negligence; (D) a violation by Executive of any written policy of the Company that has or could reasonably be expected to result in material harm to member of the Company Group; (E) a material breach by Executive of Section 6 of this Agreement or of any other noncompetition, non-solicitation, confidentiality or similar agreement between Executive and the Company or any of its Affiliates; (F) any willful failure by Executive to follow the reasonable and lawful written directives of the Board that are related to Executive's position with the Company; or (G) Executive's material violation of the Company Group's code of conduct, employee handbook or similar written policies, including, without limitation, the Company Group's sexual harassment policy and policies or rules relating to other types of harassment or abusive conduct. For the avoidance of doubt, a failure of the Company to attain any applicable performance goals or financial metrics shall not, in and of itself, constitute Cause. Notwithstanding the foregoing, in no event will the occurrence of any such condition constitute Cause unless the Company provides notice to Executive of the existence of the condition giving rise to Cause within 120 days following the Company's knowledge of its existence.

(iii) "Change in Control" has the meaning set forth in the Company's 2021 Stock Plan, as amended from time to time, or any successor plan thereto.

(iv) "Disability" means Executive is unable, due to physical or mental incapacity, to perform his duties to the Company under this Agreement for a period of either (A) 90 consecutive days or (B) 180 days in any 365 day period.

(v) " Good Reason" means, in each case without Executive's written consent, (A) a material diminution in Executive's Base Salary or Target Bonus opportunity; (B) a material diminution or material adverse change in Executive's authority, duties, responsibilities or role (and following a Change in Control, the assignment of duties or responsibilities that are materially inconsistent with those in effect immediately prior to the Change in Control; including, without limitation, if the Executive was, immediately prior to the Change in Control, an executive officer of a public company, any such change in duties or responsibilities attributable to the Executive ceasing to be an executive officer of a public company) or an adverse change in Executive's title or role; (C) any relocation of Executive’s primary office location that increases Executive's one-way commute by fifty (50) miles or more, and, following a Change in Control, any required travel on the Company’s business to an extent substantially inconsistent with the Executive’s business travel obligations immediately prior to a Change in Control; (D) in connection with a Change in Control, the failure of the Company to obtain an express assumption and agreement by a successor of the Company to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; or (E) a material breach of this Agreement by the Company. Notwithstanding the foregoing, in no event will the occurrence of any such condition constitute Good Reason unless (1) Executive provides notice to the Company of the existence of the condition giving rise to Good Reason within 60 days following Executive’s knowledge of its existence and (2) the Company fails to cure such condition within 30 days following the date of such notice, upon which failure to cure Executive’s employment will immediately terminate with Good Reason.

(vi) “Person” means any individual, corporation, partnership, limited liability company, joint venture, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

6. Restrictive Covenants.

(a) Acknowledgment. Executive agrees and acknowledges that, in the course of Executive’s employment, Executive shall acquire access to and become acquainted with information about the Company Group that is non-public, confidential or proprietary in nature. Executive acknowledges that the Company is engaged throughout the world in a highly competitive business and the success of the Company in the marketplace depends upon its goodwill and reputation, and that Executive has developed and shall continue to develop such goodwill and reputation through substantial investment by the Company. Executive agrees and acknowledges that reasonable limits on Executive’s ability to engage in activities competitive with the Company are warranted to protect its substantial investment in developing and maintaining its status in the marketplace, reputation and goodwill. Executive recognizes that in order to guard the legitimate interests of the Company, it is necessary for it to protect all “Confidential Information” (as defined below) and the disclosure of Confidential Information would place the Company at a competitive disadvantage. Executive further agrees that Executive’s obligations under this Section 6 are reasonable and shall be absolute and unconditional.

(b) Confidential Information. During Executive’s employment and at all times following Executive’s termination of employment for any reason, Executive shall hold in a fiduciary capacity for the benefit of the Company all non-public information, matters and materials of the Company Group, including, without limitation, know-how, trade secrets, customer lists, pricing policies, operational methods, information relating to products, processes, customers, services and other business and financial affairs and information as to customers or other third parties (collectively, the “Confidential Information”), in each case to which Executive has had or may have access and shall not, directly or indirectly, use or disclose such Confidential Information to any Person other than (i) to the extent required in the course of Executive’s employment or as otherwise expressly required in connection with court process or requested by a governmental or regulatory body, (ii) as may be required by law (with advance notice to the Company prior to any such disclosure to the extent legally permitted) or (iii) to Executive’s personal advisers for purposes of enforcing or interpreting this Agreement (or in the case of any other litigation between

Executive and the Company), or to a court or arbitrator for the purpose of enforcing or interpreting this Agreement (or in the case of any other litigation between Executive and the Company), and who in each case have been informed as to the confidential nature of such Confidential Information and, as to advisers, their obligation to keep such Confidential Information confidential. “Confidential Information” shall not include any information which is in the public or industry domain during Executive’s employment, provided such information is not in the public or industry domain as a consequence of any action or inaction by Executive in violation of this Agreement. Upon the termination of Executive’s employment for any reason, Executive shall deliver to the Company all documents, papers and records (including, but not limited to, electronic media) in Executive’s possession or subject to Executive’s control that (x) belong to the Company Group or (y) contain or reflect any Confidential Information concerning the Company Group.

(c) Non-Competition and Non-Solicitation. In consideration of the Company’s obligations hereunder, during Executive’s employment and for a period of 18 months thereafter, Executive will not, whether for Executive’s own account or for any other Person, directly or indirectly, with or without compensation:

(i) Own, operate, manage, or control, serve as an officer, director, partner, employee, agent, consultant, advisor or developer or in any similar capacity to, or have any financial interest in, or aid or assist anyone else in the conduct of, any Person which directly competes with any product line of or application or service offered by the Company or any member of the Company Group or any of their respective subsidiaries anywhere in the world;

(ii) Call upon for competitive purposes, solicit, divert, take away or attempt to solicit for competitive purposes any of the customers, prospective customers or suppliers or any other business contacts of the Company or any member of the Company Group or any of their respective subsidiaries with whom Executive had direct or indirect contact during Executive’s employment with the Company Group; or

(iii) Solicit, retain, knowingly hire, knowingly offer to hire, entice away or in any manner persuade or attempt to persuade any officer, employee or agent of the Company or any member of the Company Group or any of their respective subsidiaries who was employed, engaged or recruited during Executive’s employment with the Company Group to discontinue his or her relationship with the Company Group or such Affiliates.

Non-targeted, general, solicitations to the public shall be deemed not to breach this Section 6. Notwithstanding the foregoing, nothing in this Section 6(c) will prohibit Executive from acquiring or holding not more than two percent (2%) of any class of publicly traded securities.

(d) Intellectual Property. All copyrights, trademarks, trade names, servicemarks, patents and other intangible or intellectual property rights that may be invented, conceived, developed or enhanced during Executive’s employment with the Company Group (whether prior to or after the Effective Date) that either (i) relate to the business of the Company Group or (ii) result from any work performed by Executive for the Company Group, shall be the sole property of the Company or such Affiliate, as the case may be, and Executive hereby waives any right or interest that Executive may otherwise have in respect thereof. Upon request of the Company Group, Executive shall execute, acknowledge and deliver any assignment or other instrument or document reasonably necessary or appropriate to give effect to this Section 6(d) and do all other acts and things reasonably necessary to enable the Company or such Affiliate, as the case may be, to exploit the same or to obtain patents or similar protection with respect thereto. Executive agrees that Executive shall execute such additional stand-alone agreements protecting the intellectual property of the Company Group as are provided generally to employees of the Company upon their hire or otherwise as a condition to employment.

(e) Non-Disparagement. Executive agrees that, at all times after Executive's employment with the Company Group, Executive shall not make critical, negative or disparaging remarks about the Company Group that could reasonably be expected to result in material harm to the Company Group, including, but not limited to, comments about any of their respective products, services, management, business or employment practices; provided, that, nothing in this paragraph shall prevent Executive from asserting his legal rights before an administrative agency or court of law, or from responding fully and accurately to any question, inquiry or request for information when required by applicable law or legal process.

(f) Modification. The parties agree and acknowledge that the duration, scope and geographic area of the covenants described in this Section 6 are fair, reasonable and necessary in order to protect the goodwill and other legitimate interests of the Company, that adequate consideration has been received by Executive for such obligations, and that these obligations do not prevent Executive from earning a livelihood. If, however, for any reason any arbitrator or court of competent jurisdiction determines that the restrictions in this Section 6 are not reasonable, that consideration is inadequate or that Executive has been prevented unlawfully from earning a livelihood, such restrictions shall be interpreted, modified or rewritten to include as much of the duration, scope and geographic area identified in this Section 6 as shall render such restrictions valid and enforceable.

(g) Remedies for Breach. The Parties agree that the restrictive covenants contained in this Agreement are severable and separate, and the unenforceability of any specific covenant herein shall not affect the validity of any other covenant set forth herein. Executive acknowledges that the Company shall suffer irreparable harm as a result of a material breach of such restrictive covenants by Executive for which an adequate monetary remedy does not exist and a remedy at law may prove to be inadequate. Accordingly, in the event of any actual or threatened material breach by Executive of any provision of this Section 6, the Company shall, in addition to any other remedies permitted by law, be entitled to seek to obtain remedies in equity, including, without limitation, specific performance, injunctive relief, a temporary restraining order, and/or a permanent injunction in any court of competent jurisdiction (each, an "Equitable Remedy"), to prevent or otherwise restrain a material breach of this Section 6, without the necessity of proving damages, posting a bond or other security. Such relief shall be in addition to and not in substitution of any other remedies available to the Company. The existence of any claim or cause of action of Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of said covenants. .

(h) Permitted Disclosures. Executive and the Company acknowledge that nothing contained in this Agreement or in any other agreement with or policy of the Company is intended, nor shall be construed, to restrict Executive from voluntarily communicating with, or participating in any investigation or proceeding that may be conducted by, any governmental agency, regulatory authority or self- regulatory organization concerning possible violations of law, including providing documents or other information in that connection to any governmental agency, regulatory authority or self- regulatory organization, in each case without notice to the Company or any other member of the Company Group. Moreover, pursuant to Section 7 of the Defend Trade Secrets Act of 2016 (which added 18 U.S.C. § 1833(b)), Executive and the Company acknowledge that Executive shall not have criminal or civil liability under any federal or State trade secret law for the disclosure of a trade secret that (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such Section.

7. Assignment. This Agreement, and all of the terms and conditions hereof, shall bind the Company and its successors and assigns and shall bind Executive and Executive's heirs, executors and administrators. No transfer or assignment of this Agreement shall release the Company from any obligation to Executive hereunder. Neither this Agreement, nor any of the Company's rights or obligations hereunder, may be assigned or otherwise subject to hypothecation by Executive, and any such attempted assignment or hypothecation shall be null and void. The Company may assign any of its rights hereunder, in whole or in part, to any successor or assign in connection with the sale of all or substantially all of the Company's assets or equity interests or in connection with any merger, acquisition and/or reorganization.

8. Arbitration.

(a) Except as otherwise set forth in Section 6 of this Agreement, the Company and Executive mutually consent to the resolution by final and binding arbitration of any and all disputes, controversies or claims between them including, without limitation, (i) any dispute, controversy or claim related in any way to Executive's employment with the Company or any termination thereof, (ii) any dispute, controversy or claim of alleged discrimination, harassment or retaliation (including, but not limited to, claims based on race, sex, sexual preference, religion, national origin, age, marital or family status, medical condition, handicap or disability) and (iii) any claim arising out of or relating to this Agreement or the breach thereof (collectively, "Disputes"); provided, however, that nothing herein shall require arbitration of any claim or charge which, by law, cannot be the subject of a compulsory arbitration agreement. All Disputes shall be resolved exclusively by arbitration administered by the Judicial Arbitration and Mediation Services ("JAMS") under the JAMS Comprehensive Arbitration Rules & Procedures then in effect (the "JAMS Rules").

(b) Any arbitration proceeding brought under this Agreement shall be conducted in Austin, Texas or another mutually agreed upon location before one arbitrator selected in accordance with the JAMS Rules. Each party to any Dispute shall pay its own expenses, including attorneys' fees; provided, that, the arbitrator shall award the prevailing party reasonable costs and attorneys' fees incurred but shall not be able to award any special or punitive damages. The arbitrator shall issue a decision or award in writing, stating the essential findings of fact and conclusions of law.

(c) Any judgment on or enforcement of any award, including an award providing for interim or permanent injunctive relief, rendered by the arbitrator may be entered, enforced or appealed from in any court of competent jurisdiction. Any arbitration proceedings, decision or award rendered hereunder, and the validity, effect and interpretation of this arbitration provision, shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq.

(d) It is part of the essence of this Agreement that any Disputes hereunder shall be resolved expeditiously and as confidentially as possible. Accordingly, the Company and Executive agree that all proceedings in any arbitration shall be conducted under seal and kept strictly confidential. In that regard, no party shall use, disclose or permit the disclosure of any information, evidence or documents produced by any other party in the arbitration proceedings or about the existence, contents or results of the proceedings except as may be required by any legal process, as required in an action in aid of arbitration or for enforcement of or appeal from an arbitral award or as may be permitted by the arbitrator for the preparation and conduct of the arbitration proceedings. Before making any disclosure permitted by the preceding sentence, the party intending to make such disclosure shall give the other party reasonable written notice of the intended disclosure and afford such other party a reasonable opportunity to protect its interests.

9. General.

(a) Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (i) when delivered by hand (with written confirmation of receipt); (ii) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (iii) on the date sent by facsimile or e-mail; or (iv) on the third (3rd) day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 9(a)):

To the Company:

Attention: General Counsel
9020 N Capital of Texas Hwy
Suite I-260, Austin, Texas 78759
Email: jwolf@ftcsolar.com

To Executive:

At the address shown in the Company Group's personnel records.

(b) Entire Agreement. This Agreement (including any Exhibits hereto) constitutes the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and, effective as of the Effective Date, supersedes all other prior and contemporaneous representations, warranties, understandings and agreements, both written and oral, with respect to such subject matter; provided, that this Agreement shall not supersede in full the terms of any agreement related to stock-based awards of Executive, but shall instead supplement (and shall not limit or restrict) the existing rights of Executive under any such agreement, including by expanding Executive's rights thereunder in respect of accelerated vesting or exercise or lapsing of any restrictions for stock-based awards, in each case, as set forth in this Agreement.

(c) Headings

. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

(d) Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by all of the parties hereto. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction).

(f) Survivorship. The provisions of this Agreement necessary to carry out the intention of the parties as expressed herein shall survive the termination or expiration of this Agreement, including without limitation, the provisions of Section 6 hereof.

(g) No Third-party Beneficiaries

. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

(h) Construction. The parties acknowledge that this Agreement is the result of arm's-length negotiations between sophisticated parties, each afforded representation by legal counsel. Each and every provision of this Agreement shall be construed as though both parties participated equally in the drafting of the same, and any rule of construction that a document shall be construed against the drafting party shall not be applicable to this Agreement.

(i) Withholding. All compensation payable to Executive pursuant to this Agreement shall be subject to any applicable statutory withholding taxes and such other taxes as are required or permitted under applicable law and such other deductions or withholdings as authorized by Executive to be collected with respect to compensation paid to Executive.

(j) Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with, or be exempt from, Section 409A of the Code, to the extent subject thereto, and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A of the Code until Executive would be considered to have incurred a "separation from service" from the Company Group within the meaning of Section 409A of the Code. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of Section 409A of the Code. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement or any other arrangement between Executive and the Company Group during the six-month period immediately following Executive's separation from service shall instead be paid on the first business day after the date that is six months following Executive's separation from service (or, if earlier, Executive's date of death). To the extent required to avoid an accelerated or additional tax under Section 409A of the Code, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in kind benefits provided to Executive) during one year may not affect amounts reimbursable or provided in any subsequent year. The Company makes no representation that any or all of the payments described in this Agreement shall be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to any such payment.

(k) 280G Payments. Any other provision of this Agreement to the contrary notwithstanding, if any portion of any payment or benefit under this Agreement either individually or in conjunction with any payment or benefit under any other plan, agreement or arrangement (all such payments and benefits, the "Total Payments") would constitute an "excess parachute payment" within the meaning of Internal Revenue Code Section 280G, that is subject to the tax imposed by Section 4999 of such Code (the "Excise Tax"), then the Total Payments to be made to Executive shall be reduced, but only to the extent that Executive would retain a greater amount on an after-tax basis than he would retain absent such reduction, such that the value of the Total Payments that Executive is entitled to receive shall be $1 less than the maximum amount which the Employee may receive without becoming subject to the Excise Tax. For purposes of this Section 9(k), the determination of whichever amount is greater on an after-tax basis shall be (x) based on maximum federal, state and local income and employment tax rates and the Excise Tax that would be imposed on Executive and (y) made at the Company's expense by independent consultants or accountants selected by the Company and Executive (which may be the Company's income tax return preparers provided that Executive so agrees) which determination shall be binding on both Executive and the Company. Any such reduction as may apply under this Section 9(k) shall be applied in the following order: (i) payments that are payable in cash the full amount of which are treated as parachute payments under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments and benefits due in respect of any equity the full amount of which are treated as parachute payments under Treasury Regulation Section 1.280G-1, Q&A 24(a), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; (iii) payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with amounts that are payable last reduced first, will next be reduced; (iv) payments and benefits due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) will next be reduced pro-rata.

(l) No Mitigation. The Company agrees that, upon termination of Executive's employment hereunder, Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to Executive by the Company Group under this Agreement or otherwise. Further, no payment or benefit provided for in this Agreement or elsewhere shall be reduced by any compensation earned by Executive as the result of employment by another employer.

(m) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

IN WITNESS WHEREOF AND INTENDING TO BE LEGALLY BOUND THEREBY, the parties hereto have executed and delivered this Agreement as of the year and date first above written.

**FTC SOLAR, INC.**

By: ________________________________

Name: Jacob Wolf

Title: General Counsel

**EXECUTIVE**

____________________________________

Phelps Morris

[SIGNATURE PAGE TO EMPLOYMENT AGREEMENT]

# Exhibit A

## Form of General Release of Claims

This General Release of Claims (this "Agreement") is entered into by and between FTC Solar, Inc., a Delaware corporation (the "Company"), and [●] ("Executive") on the below-indicated date.

WHEREAS, Executive, and the Company entered into an Employment Agreement dated as of [●], (the "Employment Agreement"), that provides Executive certain severance and other benefits in the event of certain terminations of Executive's employment;

WHEREAS, Executive's employment has so terminated; and

WHEREAS, pursuant to [Section 5(b)] [Section 5(c)] of the Employment Agreement, a condition precedent to Executive's entitlement to certain severance and other benefits thereunder is his agreement to this Agreement.

NOW, THEREFORE, in consideration of the severance and other benefits provided under [Section 5(b)] [Section 5(c)] of the Employment Agreement, the sufficiency of which Executive hereby acknowledges, Executive agrees as follows:

1. General Release of Claims. Executive, for and on behalf of Executive and Executive's heirs, executors, administrators, successors and assigns, hereby voluntarily, knowingly and willingly release and forever discharge the Company and all of its past and present parents, subsidiaries, and affiliates, each of their respective members, officers, directors, stockholders, partners, employees, agents, representatives and attorneys, and each of their respective subsidiaries, affiliates, estates, predecessors, successors, and assigns (each, individually, a "Releasee," collectively referred to as the "Releasees") from any and all rights, claims, charges, actions, causes of action, complaints, sums of money, suits, debts, covenants, contracts, promises, obligations, damages, demands or liabilities of every kind whatsoever, in law or in equity, whether known or unknown, suspected or unsuspected (collectively, "Claims") which Executive or Executive's heirs, executors, administrators, successors or assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever: (i) arising from the beginning of time up to the date Executive executes this Agreement with respect to (A) any such Claims relating in any way to Executive's employment relationship with the Company or any other Releasee, and (B) any such Claims arising under any federal, local or state statute or regulation, including, without limitation, the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974, each as amended and including each of their respective implementing regulations and/or any other federal, state, local or foreign law (statutory, regulatory or otherwise) that may be legally waived and released; (ii) arising out of or relating to the termination of Executive's employment; or (iii) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company or any other Releasee and Executive.

2. Exceptions to General Release of Claims.

2.1. Nothing contained in this Agreement shall in any way diminish or impair: (i) any Claims Executive may have that cannot be waived under applicable law, (ii) Executive's rights under this Agreement and to severance and other benefits provided under Section 5[(b)][(c)] of the Employment Agreement, (iii) any rights Executive may have to vested benefits under health, welfare and tax-qualified retirement employee benefit plans, or (iv) any rights Executive may have to indemnification from the Company or coverage under any director and officer liability insurance policy. The Company acknowledges and agrees that this Agreement does not preclude Executive from filing any charge with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission or any other governmental agency or from any way participating in any investigation, hearing, or proceeding of any government agency. Executive does not need prior authorization from the Company to make any such reports or disclosures and except as may otherwise be required by applicable law, is not required to notify the Company that Executive has made such reports or disclosures. This Agreement does not limit Executive's right to receive an award for information provided to any governmental agency or entity.

2.2. Pursuant to 18 U.S.C. §1833(b), Executive shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company that (i) is made (A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to Executive's attorney, and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to his attorney and use the trade secret information in the court proceeding, if Executive (1) files any document containing the trade secret under seal, and (2) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. §1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section. Further, nothing in any agreement Executive has with the Company shall prohibit or restrict Executive from making any voluntary disclosure of information or documents related to any violation of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

3. Affirmations. Executive affirms that he has not filed, caused to be filed, or presently is a party to any claim, complaint, or action against the Company or the other Releasees in any forum or form. Executive furthermore affirms that Executive has no known workplace injuries or occupational diseases, and has been provided and has not been denied any leave requested under the Family and Medical Leave Act. Executive disclaims and waives any right of reinstatement with the Company.

4. Restrictive Covenants. Executive acknowledges and agree that each of the restrictive covenants to which Executive is subject as of the date hereof (including without limitation, the provisions set forth in Section 6 of the Employment Agreement) shall continue to apply in accordance with their terms for the applicable periods with respect thereto.

5. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction).

6. No Admission of Wrongdoing. The parties agree that neither this Agreement nor the furnishing of the consideration set forth in the Employment Agreement shall be deemed or construed at any time for any purpose as an admission by any party of any liability, wrongdoing or unlawful conduct of any kind.

7. Consultation With Attorney; Voluntary Agreement. Executive acknowledges that (a) the Company has advised Executive of Executive's right to consult with an attorney of Executive's own choosing prior to executing this Agreement, (b) Executive has carefully read and fully understands all of the provisions of this Agreement, (c) Executive is entering into this Agreement, including the releases set forth in Section 1, knowingly, freely and voluntarily in exchange for good and valuable consideration and (d) Executive would not be entitled to the benefits described in the applicable sections of the Employment Agreement in the absence of this Agreement.

8. Revocation. Executive acknowledges that Executive has been given 21 calendar days to consider the terms of this Agreement, although Executive may sign it sooner. Executive agrees that any modifications, material or otherwise, made to this agreement do not restart or affect in any manner the original 21 calendar day consideration period. Executive shall have seven calendar days from the date on which Executive sign this Agreement to revoke Executive's consent to the terms of this Agreement by providing notice to the Company in accordance with Section 9(a) of the Employment Agreement. Notice of such revocation must be received within the seven calendar days referenced above. In the event of such revocation by Executive, this Agreement shall not become effective and Executive shall not have any rights under Section 5[(b)][c] of the Employment Agreement. Provided that Executive does not revoke this Agreement within such seven calendar day period, this Agreement shall become effective on the eighth calendar day after the date on which Executive signs this Agreement.

[Remainder of page is left blank intentionally]

IN WITNESS WHEREOF AND INTENDING TO BE LEGALLY BOUND THEREBY, the parties hereto have executed and delivered this Agreement as of the date written below.

**FTC SOLAR, INC.**

By: ________________________________

Name:

Title:

**EXECUTIVE**

____________________________________

[Name]

[SIGNATURE PAGE TO RELEASE AGREEMENT]

**Exhibit 31.1**

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

I, Sean Hunkler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FTC Solar Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 16, 2022

By: /s/ Sean Hunkler
**Sean Hunkler**
**President and Chief Executive Officer**

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

I, Phelps Morris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FTC Solar Inc.;

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

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

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

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

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

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

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

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

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

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

| | |
|---|---|
| Date: May 16, 2022 | By: /s/ Phelps Morris |
| | **Phelps Morris** |
| | **Chief Financial Officer** |

**Exhibit 32.1**

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

In connection with the Quarterly Report of FTC Solar, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 16, 2022

By: /s/ Sean Hunkler
**Sean Hunkler**
**President and Chief Executive Officer**

**Exhibit 32.2**

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

In connection with the Quarterly Report of FTC Solar, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 16, 2022

By: /s/ Phelps Morris
**Phelps Morris**
**Chief Financial Officer**