UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2025

☐ **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: 001-31588

SUNATION ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	41-0957999
(State or other jurisdiction of incorporation or organization)	(Federal Employer Identification No.)
171 Remington Boulevard, Ronkonkoma, NY 11779	11779
(Address of principal executive offices)	(Zip Code)

(952) 996-1674

Registrant's telephone number, including area code

Securities Registered Pursuant to Section 12(b) of the Act

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.05 per share	SUNE	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 a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-accelerated Filer ☒
Smaller Reporting Company ☒ Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. YES ☐ NO ☒

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Outstanding at August 14, 2025	3,406,614

SUNATION ENERGY, INC.

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SUNATION ENERGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS

		June 30 2025		December 31 2024
CURRENT ASSETS:				
Cash and cash equivalents	$	3,186,757	$	839,268
Restricted cash and cash equivalents		286,630		312,080
Trade accounts receivable, less allowance for credit losses of $215,738 and $240,817, respectively		3,298,944		4,881,094
Inventories		2,321,966		2,707,643
Prepaid income taxes		15,776		—
Related party receivables		23,039		23,471
Prepaid expenses		1,028,996		1,587,464
Costs and estimated earnings in excess of billings		604,077		560,648
Other current assets		185,227		198,717
TOTAL CURRENT ASSETS		10,951,412		11,110,385
PROPERTY, PLANT AND EQUIPMENT, net		1,107,372		1,238,898
OTHER ASSETS:				
Goodwill		17,443,869		17,443,869
Operating lease right of use asset, net		3,513,114		3,686,747
Intangible assets, net		11,102,083		12,220,833
Other assets, net		12,000		12,000
TOTAL OTHER ASSETS		32,071,066		33,363,449
TOTAL ASSETS	$	44,129,850	$	45,712,732

LIABILITIES AND STOCKHOLDERS' EQUITY

		June 30 2025		December 31 2024
CURRENT LIABILITIES:				
Accounts payable	$	6,406,277	$	8,032,769
Accrued compensation and benefits		783,430		796,815
Operating lease liability		327,454		321,860
Accrued warranty		190,411		350,013
Other accrued liabilities		1,318,915		1,055,995
Accrued loss contingencies		—		1,300,000
Income taxes payable		—		5,071
Refundable customer deposits		1,533,688		1,870,173
Billings in excess of costs and estimated earnings		421,474		444,310
Contingent value rights		286,630		312,080
Earnout consideration		—		2,500,000
Current portion of loans payable		330,112		3,139,113
Current portion of loans payable - related party		1,203,401		6,951,563
Embedded derivative liability		—		82,281
TOTAL CURRENT LIABILITIES		12,801,792		27,162,043
LONG-TERM LIABILITIES:				
Loans payable and related interest		1,172,996		6,531,650
Loans payable and related interest - related party		4,328,137		—
Operating lease liability		3,308,028		3,471,623
Accrued compensation and benefits		416,855		—
TOTAL LONG-TERM LIABILITIES		9,226,016		10,003,273
COMMITMENTS AND CONTINGENCIES (Note 6)				
STOCKHOLDERS' EQUITY				
Series A Convertible preferred stock, par value $1.00 per share; 3,000,000 shares authorized; no shares issued and outstanding, respectively		—		—

Series B preferred stock, par value $1.00 per share; 3,000,000 shares authorized; no shares issued and outstanding, respectively	—	—
Series D preferred stock, par value $1.00 per share; 3,000,000 shares authorized; 1 and no shares issued and outstanding, respectively	—	—
Common stock, par value $0.05 per share; 1,000,000,000 shares authorized; 3,406,614 and 9,343 shares issued and outstanding, respectively(1)	170,331	467
Additional paid-in capital(1)	77,934,604	51,445,995
Accumulated deficit	(56,002,893)	(42,899,046)
TOTAL STOCKHOLDERS' EQUITY	22,102,042	8,547,416
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 44,129,850	$ 45,712,732

(1) Prior period results have been adjusted to reflect the reverse stock split of the common stock at a ratio of 1-for-200 that became effective April 21, 2025, the reverse stock split of the common stock at a ratio of 1-for-50 that became effective October 17, 2024 and the reverse stock split of the common stock at a ratio of 1-for-15 that became effective June 12, 2024. See Note 1, "Nature of Operations," for further details.

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

SUNATION ENERGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Sales	$ 13,064,254	$ 13,549,420	$ 25,700,892	$ 26,768,617
Cost of sales	8,224,737	8,757,066	16,430,050	17,170,815
Gross profit	4,839,517	4,792,354	9,270,842	9,597,802
Operating expenses:				
Selling, general and administrative expenses	6,443,729	6,558,923	12,483,027	13,187,950
Amortization expense	559,375	709,375	1,118,750	1,418,750
Fair value remeasurement of SUNation earnout consideration	—	(450,000)	—	(800,000)
Total operating expenses	7,003,104	6,818,298	13,601,777	13,806,700
Operating loss	(2,163,587)	(2,025,944)	(4,330,935)	(4,208,898)
Other (expense) income:				
Investment and other income	27,661	27,325	75,826	73,166
Gain on sale of assets	—	—	—	6,118
Fair value remeasurement of warrant liability	(7,531,044)	(3,267,571)	(7,531,044)	461,022
Fair value remeasurement of embedded derivative liability	—	(1,055,600)	—	(1,055,600)
Fair value remeasurement of contingent forward contract	789,588	—	899,080	—
Fair value remeasurement of contingent value rights	6,271	116,775	25,450	492,860
Financing fees	(559,938)	—	(1,136,532)	—
Interest expense	(162,130)	(735,633)	(733,370)	(1,500,503)
Loss on debt extinguishment	—	—	(343,471)	—
Other expense, net	(7,429,592)	(4,914,704)	(8,744,061)	(1,522,937)
Net loss before income taxes	(9,593,179)	(6,940,648)	(13,074,996)	(5,731,835)
Income tax expense (benefit)	14,236	(6,633)	28,851	(471)
Net loss	(9,607,415)	(6,934,015)	(13,103,847)	(5,731,364)
Deemed dividend on extinguishment of Convertible Preferred Stock	—	—	—	(751,125)
Deemed dividend on modification of PIPE Warrants	—	—	—	(10,571,514)
Net loss attributable to common shareholders	$ (9,607,415)	$ (6,934,015)	$ (13,103,847)	$ (17,054,003)
Basic net loss per share(1)	$ (3.14)	$ (11,022.91)	$ (8.42)	$ (38,216.49)
Diluted net loss per share(1)	$ (3.14)	$ (11,022.91)	(8.42)	(38,216.49)
Weighted Average Basic Shares Outstanding(1)	3,063,743	629	1,556,627	446
Weighted Average Dilutive Shares Outstanding(1)	3,063,743	629	1,556,627	446

(1) Prior period results have been adjusted to reflect the reverse stock split of the common stock at a ratio of 1-for-200 that became effective April 21, 2025, the reverse stock split of the common stock at a ratio of 1-for-50 that became effective October 17, 2024 and the reverse stock split of the common stock at a ratio of 1-for-15 that became effective June 12, 2024. See Note 1, "Nature of Operations," for further details.

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

SUNATION ENERGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

For the Six Months Ended June 30, 2025

	Redeemable Convertible Preferred Stock		Series A Convertible Preferred Stock		Series B Preferred Stock		Series D Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares(1)	Amount(1)	Capital(1)	Deficit	Total
BALANCE AT DECEMBER 31, 2024	—	$ —	—	$ —	—	$ —	—	$ —	9,343	$ 467	$ 51,445,995	$ (42,899,046)	$ 8,547,416
Net loss	—	—	—	—	—	—	—	—	—	—	—	(13,103,847)	(13,103,847)
Issuance of common stock under Equity Incentive Plan	—	—	—	—	—	—	—	—	4	—	—	—	—
Issuance of common stock under registered direct offering, net of issuance costs	—	—	—	—	—	—	—	—	31,564	1,578	8,697,706	—	8,699,284
Issuance of common stock under pre-funded warrant exercises	—	—	—	—	—	—	—	—	55,392	2,770	8,308	—	11,078
Issuance of common stock under Series B warrant exercises	—	—	—	—	—	—	—	—	3,260,870	163,044	16,499,663	—	16,662,707
Issuance of Series D Preferred Stock	—	—	—	—	—	—	1	1	—	—	(1)	—	—
Cancellation of Series D Preferred Stock	—	—	—	—	—	—	(1)	(1)	—	—	1	—	—
Issuance of common stock on At-the-Market sales, net of issuance costs	—	—	—	—	—	—	—	—	762	37	351,335	—	351,372
Issuance of common stock on settlement of loss contingencies	—	—	—	—	—	—	—	—	6,065	304	880,452	—	880,756
Effect of reverse stock splits	—	—	—	—	—	—	—	—	42,614	2,131	(2,131)	—	—
Share based compensation	—	—	—	—	—	—	—	—	—	—	53,276	—	53,276
BALANCE AT JUNE 30, 2025	—	$ —	—	$ —	—	$ —	—	$ —	3,406,614	$ 170,331	$ 77,934,604	$ (56,002,893)	$ 22,102,042

For the Three Months Ended June 30, 2025

	Redeemable Convertible Preferred Stock		Series A Preferred Stock		Series B Preferred Stock		Series D Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares[(1)]	Amount[(1)]	Capital[(1)]	Deficit	Total
BALANCE AT MARCH 31, 2025	—	$ —	—	$ —	—	$ —	1	$ 1	81,391	$ 4,070	$ 61,198,304	$ (46,395,478)	$ 14,806,897
Net loss	—	—	—	—	—	—	—	—	—	—	—	(9,607,415)	(9,607,415)
Issuance of common stock under registered direct offering, net of issuance costs	—	—	—	—	—	—	—	—	21,739	1,086	216,306	—	217,392
Issuance of common stock under Series B warrant exercises	—	—	—	—	—	—	—	—	3,260,870	163,044	16,499,663		16,662,707
Cancellation of Series D Preferred Stock	—	—	—	—	—	—	(1)	(1)	—	—	1	—	—
Effect of reverse stock splits	—	—	—	—	—	—	—	—	42,614	2,131	(2,131)	—	—
Share based compensation	—	—	—	—	—	—	—	—	—	—	22,461	—	22,461
BALANCE AT JUNE 30, 2025	—	$ —	—	$ —	—	$ —	—	$ —	3,406,614	$ 170,331	$ 77,934,604	$ (56,002,893)	$ 22,102,042

For the Six Months Ended June 30, 2024

	Redeemable Convertible Preferred Stock		Series A Convertible Preferred Stock		Series B Preferred Stock		Series D Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares(1)	Amount(1)	Capital(1)	Deficit	Total
BALANCE AT DECEMBER 31, 2023	—	$ —	28,000	$ 28,000	—	$ —	—	$ —	68	$ 3	$ 47,490,197	$ (27,081,411)	$ 20,436,789
Net loss	—	—	—	—	—	—	—	—	—	—	—	(5,731,364)	(5,731,364)
Issuance of common stock under Employee Stock Purchase Plan	—	—	—	—	—	—	—	—	1	—	9,772	—	9,772
Issuance of common stock under Equity Incentive Plan	—	—	—	—	—	—	—	—	2	—	—	—	—
Issuance of common stock under registered direct offering, net of issuance costs	—	—	—	—	—	—	—	——	18	1	918,987	—	918,988
Issuance of Series B Preferred Stock	—	—	—	—	1	1	—	——	—	—	14	—	15
Issuance of common stock under PIPE Warrant exercise	—	—	—	—	—	—	—	——	6	—	324,790	—	324,790
Reclassification of Series A Preferred Stock to temporary equity	28,000	30,968,875	(28,000)	(28,000)	—	—	—	——	—	—	(30,940,875)	—	(30,968,875)
Deemed dividend on extinguishment of Convertible Preferred Stock	—	751,125	—	—	—	—	—	——	—	—	(751,125)	—	(751,125)
Reclassification of PIPE Warrants to liabilities	—	—	—	—	—	—	—	——	—	—	(10,592,220)	—	(10,592,220)
Conversion of Redeemable Convertible Preferred Stock to Common Stock	(13,485)	(15,277,055)	—	—	—	—	—	——	632	32	15,277,023	—	15,277,055

Cash in lieu payment on fractional shares under reverse stock split	—	—	—	—	—	—	—	—	—	—	—	(1,132)	—	(1,132)
Share based compensation	—	—	—	—	—	—	—	—	—	—	—	185,723	—	185,723
Other share retirements	—	—	—	—	—	—	—	—	—	—	—	(38,268)	32,170	(6,098)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	—	—
BALANCE AT JUNE 30, 2024	14,515	$ 16,442,945	—	$ —	1	$ 1	—	$ —		727	$ 36	$ 21,882,886	$ (32,780,605)	$ (10,897,682)

For the Three Months Ended June 30, 2024

	Redeemable Convertible Preferred Stock		Series A Convertible Preferred Stock		Series B Preferred Stock		Series D Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares(1)	Amount(1)	Capital(1)	Deficit	Total
BALANCE AT MARCH 31, 2024	20,597	$ 23,333,613	—	$ —	—	$ —	—	$ —	430	$ 21	$ 14,678,643	$ (25,850,588)	$ (11,171,924)
Net loss	—	—	—	—	—	—	—	—	—	—	—	(6,934,015)	(6,934,015)
Issuance of common stock under Employee Stock Purchase Plan	—	—	—	—	—	—	—	—	1	—	8,732	—	8,732
Issuance of common stock under Equity Incentive Plan	—	—	—	—	—	—	—	—	1	—	—	—	—
Issuance of Series B Preferred Stock	—	—	—	—	1	1	—	—	—	—	14	—	15
Issuance of common stock under PIPE Warrant exercise	—	—	—	—	—	—	—	—	6	—	324,790	—	324,790
Conversion of Redeemable Convertible Preferred Stock to Common Stock	(6,082)	(6,890,668)	—	—	—	—	—	—	289	15	6,890,653	—	6,890,668
Cash in lieu payment on fractional shares under reverse stock split	—	—	—	—	—	—	—	—	—	—	(1,132)	—	(1,132)
Share based compensation	—	—	—	—	—	—	—	—	—	—	(11,583)	—	(11,583)
Other share retirements	—	—	—	—	—	—	—	—	—	—	(7,231)	3,998	(3,233)
BALANCE AT JUNE 30, 2024	14,515	$ 16,442,945	—	$ —	1	$ 1	—	$ —	727	$ 36	$ 21,882,886	$ (32,780,605)	$ (10,897,682)

(1) Prior period results have been adjusted to reflect the reverse stock split of the common stock at a ratio of 1-for-200 that became effective April 21, 2025, the reverse stock split of the common stock at a ratio of 1-for-50 that became effective October 17, 2024 and the reverse stock split of the common stock at a ratio of 1-for-15 that became effective June 12, 2024. See Note 1, "Nature of Operations," for further details.

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

SUNATION ENERGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30	
	2025	**2024**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (13,103,847)	$ (5,731,364)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,252,744	1,588,564
Share based compensation	53,276	185,723
Credit loss provision	(19,316)	65,864
Fair value remeasurement of earnout consideration	—	(800,000)
Fair value remeasurement of warrant liability	7,531,044	(461,022)
Fair value remeasurement of embedded derivative liability	—	1,055,600
Fair value remeasurement of contingent forward contract	(899,080)	—
Fair value remeasurement of contingent value rights	(25,450)	(492,860)
Loss on extinguishment of debt	343,471	—
Gain on sale of assets	—	(6,118)
Interest and accretion expense	212,592	1,500,503
Changes in assets and liabilities:		
Trade accounts receivable	1,601,897	202,476
Inventories	385,677	327,540
Income taxes	(20,847)	(69,971)
Other assets, net	534,878	(264,877)
Accounts payable	(489,960)	822,503
Accrued compensation and benefits	403,470	(436,080)
Customer deposits	(336,485)	(774,524)
Other accrued liabilities	(323,130)	758,737
Accrued interest	(634,467)	(896,420)
Net cash used in operating activities	(3,533,533)	(3,425,726)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(8,817)	(17,579)
Proceeds from the sale of property, plant and equipment	—	6,118
Net cash used in investing activities	(8,817)	(11,461)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments against loans payable	(8,514,664)	(748,647)
Payments against related party loans payable	(1,038,279)	—
Payments related to debt issuance costs	(38,613)	—
Payments related to equity issuance costs	(2,128,038)	(81,012)
Proceeds from the issuance of common stock and pre-funded warrants under registered direct offering	9,690,790	1,000,000
Proceeds from the issuance of common stock on the exercise of pre-funded warrants	11,078	—
Proceeds from the issuance of Series A and Series B warrants	10,298,134	—
Proceeds from the issuance of common stock under at-the-market offering	351,372	—
Proceeds from the issuance of Series B preferred stock	—	15
Payments for the termination of Series A warrants	(267,391)	—
Proceeds from issuance of common stock, net of shares withheld	—	9,773
Cash in lieu payment on fractional shares under reverse stock split	—	(1,132)
Payment of contingent consideration related to acquisition	(2,500,000)	—
Purchase of common stock	—	(6,098)
Net cash provided by financing activities	5,864,389	172,899

NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	2,322,039	(3,264,288)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	1,151,348	5,396,343
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	$ 3,473,387	$ 2,132,055
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income taxes paid	$ 49,698	$ 69,500
Interest paid	1,139,593	821,306
NONCASH FINANCING AND INVESTING ACTIVITIES:		
Issuance of common stock for the settlement of loss contingencies	880,756	—
Deemed dividend on Convertible Preferred Stock and PIPE Warrants	—	11,322,639
Conversion of redeemable convertible preferred stock to common stock	—	15,277,055

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

NOTE 1 – NATURE OF OPERATIONS

Description of Business

SUNation Energy, Inc. ("SUNE", "SUNation Energy", "we" or the "Company") is a Delaware corporation, whose shares of Common Stock are listing on the Nasdaq Stock Market under its trading symbol "SUNE".

SUNation Energy's vision is to power the energy transition through grass-roots growth of solar electricity paired with battery storage. The Company is a domestic operator and consolidator of residential solar, battery storage, and grid services solutions. Our strategy is focused on acquiring, integrating, and growing leading local and regional solar, storage, and energy services companies nationwide.

Our current business units, Hawaii Energy Connection, LLC ("HEC"), and New York-based subsidiaries, the SUNation entities (collectively, "SUNation") are engaged in the design, installation, and maintenance of solar energy systems across residential, commercial, and municipal sectors. Our team specializes in providing tailored solar solutions that meet the specific energy needs of each client, ensuring both efficiency and sustainability. In addition to our core solar services, we also offer energy storage systems to optimize energy use and increase reliability. Our New York business unit further integrates a broader range of services, including residential roofing solutions, to ensure seamless solar installations and long-term durability. Additionally, we provide community solar services that allow groups of individuals, businesses, or organizations to share the benefits of a single solar array, making renewable energy accessible to more people in the community.

Reverse Stock Splits

June 2024 Reverse Stock Split

On January 3, 2024, the Company's shareholders approved a reverse stock split of the Company's common stock at a ratio within a range of 1-for-2 and 1-for-15 and granted the Company's board of directors the discretion to determine the timing and ratio of the split within such range.

On May 28, 2024, the Company's board of directors determined to effect the reverse stock split of the common stock at a 1-for-15 ratio (the "June Reverse Stock Split") and approved an amendment ("June Reverse Stock Split Amendment") to the Fourth Amended and Restated Articles of Incorporation of the Company to effect the June Reverse Stock Split.

Effective June 12, 2024, the Company amended its Fourth Amended and Restated Articles of Incorporation to implement the June Reverse Stock Split. The Company's common stock began trading on a split-adjusted basis when the market opened on June 12, 2024 (the "June Effective Date").

As a result of the June Reverse Stock Split on the June Effective Date, every 15 shares of common stock then issued and outstanding automatically were combined into one share of common stock, with no change in par value per share. No fractional shares were outstanding following the June Reverse Stock Split, and any fractional shares that would have resulted from the June Reverse Stock Split were settled in cash. The number of shares of common stock outstanding was reduced from 108,546,773 to 7,235,731, with 720.901 fractional shares paid out in cash totaling $1,132. The total number of shares authorized for issuance was reduced to 7,500,000 in proportion to the June Reverse Stock Split ratio.

October 2024 Reverse Stock Split

On July 19, 2024, the Company's shareholders approved a reverse stock split of the Company's common stock at a ratio within a range of 1-for-2 and 1-for-200 and granted the Company's board of directors the discretion to determine the timing and ratio of the split within such range. Additionally, the shareholders also approved an increase in authorized shares to 133,333,333 shares.

On October 1, 2024, the Company’s board of directors determined to effect the reverse stock split of the common stock at a 1-for-50 ratio (the “October Reverse Stock Split”) and approved an amendment (“October Reverse Stock Split Amendment”) to the Fourth Amended and Restated Articles of Incorporation of the Company to effect the October Reverse Stock Split.

Effective October 17, 2024, the Company amended its Fourth Amended and Restated Articles of Incorporation to implement the October Reverse Stock Split. The Company's common stock began trading on a split-adjusted basis when the market opened on October 17, 2024 (the "October Effective Date").

As a result of the October Reverse Stock Split on the October Effective Date, every 50 shares of common stock then issued and outstanding automatically were combined into one share of common stock, with no change in par value per share. No fractional shares were outstanding following the Reverse Stock Split, and any fractional shares that would have resulted from the October Reverse Stock Split were settled in cash. The number of shares of common stock outstanding was reduced from 67,260,696 to 1,344,841, with 372.92 fractional shares payable in cash totaling $1,891. The total number of shares authorized for issuance was reduced from 133,333,333 to 2,666,667 in proportion to the October Reverse Stock Split ratio.

April 2025 Reverse Stock Split

On April 3, 2025, the Company’s shareholders approved a reverse stock split of the Company’s common stock at a ratio within a range of 1-for-2 and 1-for-200 and granted the Company’s board of directors the discretion to determine the timing and ratio of the split within such range. Additionally, the shareholders also approved an increase in authorized shares to 1,000,000,000 shares.

On April 9, 2025, the Company’s board of directors determined to effect the reverse stock split of the common stock at a 1-for-200 ratio (the “April Reverse Stock Split”) and approved an amendment (“April Reverse Stock Split Amendment”) to its Certificate of Incorporation to effect the April Reverse Stock Split.

On April 16, 2025, the Company amended its Certificate of Incorporation to implement the April Reverse Stock Split. The Company's common stock began trading on a split-adjusted basis when the market opened on April 21, 2025 (the "April Effective Date").

As a result of the April Reverse Stock Split on the April Effective Date, every 200 shares of common stock then issued and outstanding automatically were combined into one share of common stock, with no change in par value per share. No fractional shares were outstanding following the April Reverse Stock Split, and any fractional shares that would have resulted from the April Reverse Stock Split were rounded up to the nearest whole share. The number of shares of common stock outstanding was reduced from 672,799,910 to 3,406,614.

The effects of the June 2024 Reverse Stock Split, October 2024 Reverse Stock Split, and April 2025 Reverse Stock Split (collectively, the “Reverse Stock Splits”) have been applied retroactively and are reflected in this Quarterly Report on Form 10-Q for all periods presented. Following each of the Reverse Stock Splits, the number of shares of common stock available for issuance under the Company's equity compensation plans were automatically reduced in proportion to the Reverse Stock Splits ratio. Upon effectiveness, the Reverse Stock Splits also resulted in reductions in the number of shares of common stock issuable upon exercise or vesting of equity awards in proportion to the Reverse Stock Splits ratios and caused a proportionate increase in exercise price or share-based performance criteria, if any, applicable to such awards.

Impact of the Reverse Stock Splits

The impact of the Reverse Stock Splits was applied retroactively for all periods presented in accordance with applicable guidance. Therefore, prior period amounts are different than those previously reported.

The following table illustrates changes in common stock (in number of shares and dollar amount) and additional paid-in-capital, as previously reported prior to, and as adjusted subsequent to, the impact of the Reverse Stock Splits retroactively adjusted for the periods presented:

	June 30, 2024		
	As Previously Reported	Impact of Reverse Stock Split	As Adjusted
Common Stock shares	7,243,258	(7,242,531)	727
Common Stock amount	$ 362,163	$ (362,127)	$ 36
Additional Paid-in-Capital	$ 21,520,759	$ 362,127	$ 21,882,886

	December 31, 2023			December 31, 2024		
	As Previously Reported	Impact of Reverse Stock Split	As Adjusted	As Previously Reported	Impact of Reverse Stock Split	As Adjusted
Common Stock shares	13,663	(13,595)	68	1,868,638	(1,859,295)	9,343
Common Stock amount	$ 683	$ (680)	$ 3	$ 93,432	$ (92,965)	$ 467
Additional Paid-in-Capital	$ 47,489,517	$ 680	$ 47,490,197	$ 51,353,030	$ 92,965	$ 51,445,995

The following table illustrates changes in loss per share and weighted average shares outstanding, as previously reported prior to, and as adjusted subsequent to, the impact of the Reverse Stock Splits retroactively adjusted for the periods presented:

	Three Months Ended June 30, 2024		
	As Previously Reported	Impact of Reverse Stock Split	As Adjusted
Weighted average shares outstanding - basic and diluted	6,269,514	(6,268,885)	629
Loss per share from continuing operations - basic and diluted	$ (1.11)	$ (11,021.80)	$ (11,022.91)

	Six Months Ended June 30, 2024		
	As Previously Reported	Impact of Reverse Stock Split	As Adjusted
Weighted average shares outstanding - basic and diluted	4,448,431	(4,447,985)	446
Loss per share from continuing operations - basic and diluted	$ (3.83)	$ (38,212.66)	$ (38,216.49)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its wholly owned operating subsidiaries. Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. In the opinion of management, the accompanying condensed consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented. The condensed consolidated financial statements and notes thereto should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2024 included on the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission ("SEC") on April 15, 2025. The accompanying condensed consolidated balance sheet at December 31, 2024 has been derived from the audited balance sheet at December 31, 2024 contained in the above-referenced Form 10-K. Results of operations for interim periods are not necessarily indicative of the results of operations for a full year.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and accounts have been eliminated.

Use of Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company uses estimates based on the best information available in recording transactions and balances resulting from operations. Actual results could materially differ from those estimates. The Company's estimates consist principally of allowances for credit losses, revenue recognition on commercial projects based on percentage of completion, asset impairment evaluations, accruals for compensation plans, lower of cost or net realizable value, inventory adjustments, fair value measurements, provisions for income taxes and deferred taxes, depreciable lives of fixed assets, and amortizable lives of intangible assets.

Cash, Restricted Cash and Cash Equivalents

For purposes of the condensed consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company may invest in short-term money market funds that are not considered to be bank deposits and are not insured or guaranteed by the federal deposit insurance company ("FDIC") or other government agency. These money market funds seek to preserve the value of the investment at $1.00 per share; however, it is possible to lose money investing in these funds. Total cash equivalents invested in short-term money market funds was $1,535,022 and $368,138 as of June 30, 2025 and December 31, 2024, respectively. The $286,630 of restricted cash and cash equivalents on the balance sheet as of June 30, 2025 are funds that can only be used to support the legacy Communications Systems, Inc. ("CSI") business (which had merged with and into Pineapple Energy, Inc. in March 2022 (and Pineapple Energy, Inc.'s name was changed to SUNation Energy Inc. in November 2024, each as previously disclosed and described more fully in prior annual and quarterly reports)), and will be distributed to holders of the Company's contingent value rights ("CVRs") and cannot be used to support the working capital needs of the SUNation Energy business.

Accounts Receivable, Net

Accounts receivable are recorded at their net realizable value and are not collateralized. Accounts receivable include amounts earned less payments received and allowances for credit losses. Management continually monitors and adjusts its allowances associated with the Company's receivables to address any credit risks associated with the accounts receivable and periodically writes off receivables when collection is not considered probable. The Company does not charge interest on past due accounts. When uncertainty exists as to the collection of receivables, the Company records an allowance for credit losses and a corresponding charge to credit loss expense.

Inventories, Net

Inventories, which consist primarily of materials and supplies used in the installation of solar systems, are stated at the lower of cost or net realizable value, with costs computed on a weighted average cost 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. The inventory reserve was $254,472 and $226,439 at June 30, 2025 and December 31, 2024, respectively.

Property, Plant and Equipment, net

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method. Maintenance and repairs are charged to operations and additions or improvements are capitalized. Items of property sold, retired or otherwise disposed of are removed from the asset and accumulated depreciation accounts and any gains or losses on disposal are reflected in the condensed consolidated statements of operations.

Goodwill and Other Intangible Assets, net

Goodwill represents the amount by which the purchase prices (including liabilities assumed) of acquired businesses exceed the estimated fair value of the net tangible assets and separately identifiable intangible assets of these businesses. Definite lived intangible assets, consisting primarily of trade names and technology, are amortized on a straight-line basis over the estimated useful life of the asset. Goodwill is not amortized but is tested at least annually for impairment. The Company reassesses the value of our reporting units and related goodwill balances annually on October 1 and at other times if events have occurred or circumstances exist that indicate the carrying amount of goodwill may not be recoverable.

On July 4, 2025, the President signed H.R. 1, the “One Big Beautiful Bill Act,” into law, which accelerates the phase-outs and terminations of various eligible tax credits enacted as part of the Inflation Reduction Act and places restrictions on continued receipt of tax credits by specified foreign entities and foreign influenced entities. The reduction, elimination or expiration of government incentives for, or regulations mandating the use of, as well as corporate commitments to the use of renewable energy and solar energy specifically could reduce demand for solar energy systems and harm our business, financial condition and results of operations. The Company is currently evaluating the impact on the consolidated financial statements and notes there may be uncertainty around the recoverability of certain intangible or long-lived assets.

Recoverability of Long-Lived Assets and Intangible Assets

The Company reviews its long-lived assets and definite lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If indicators of impairment exist, management identifies the asset group that includes the potentially impaired long-lived asset, at the lowest level at which there are separate, identifiable cash flows. If the fair value, determined as the total of the expected undiscounted future net cash flows for the asset group is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying amount of the asset.

Mezzanine Equity

The Company has issued various financial instruments, including preferred stock. Instruments containing redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company’s control are classified as redeemable or mezzanine equity. The purpose of this classification is to convey that such a security may not be permanently part of equity and could result in a demand for cash, securities or other assets of the entity in the future.

Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant’s specific terms and applicable authoritative guidance, ASC 480 “Distinguishing Liabilities from Equity” and ASC 815, “Derivatives and Hedging.” Management’s assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, whether they meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815.

For issued or modified warrants that do not meet all the criteria for equity classification, such warrants are required to be recorded as a liability initially at their fair value on the date of issuance, and subsequently remeasured to fair value on each balance sheet date thereafter. Changes in the estimated fair value of liability-classified warrants are recognized in other income (expense) in the condensed consolidated statements of operations in the period of change.

Derivative Liabilities

The Company evaluates its contracts to determine if those contracts qualify as derivatives under ASC 815. For derivative financial instruments that are accounted for as liabilities, including the Company's contingent forward contract, the derivative instrument is initially recorded at its fair value and is then subsequently remeasured to fair value on each balance sheet date thereafter. Any changes in fair value are recorded in other income (expense) in the condensed consolidated statements of operations in the period of change.

Revenue Recognition

Revenue is recognized when there is a transfer of control of promised goods or services to customers in an amount that reflects the consideration that the Company expects to be entitled to in exchange for those goods or services. The Company sells solar power systems under construction and development agreements to residential and commercial customers. The completed system is sold as a single performance obligation. For residential contracts, revenue is recognized at the point-in-time when the systems are placed into service. Any advance payments received in the form of customer deposits are recorded as contract liabilities.

Commercial contracts are generally completed within three to twelve months from commencement of construction. Construction on large projects may be completed within eighteen to twenty-four months, depending on the size and location of the project. Revenues from commercial contracts are recognized under a percentage of completion method, measured by the percentage of hours incurred to date against estimated total hours budgeted for each contract. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near future. Contract costs include all direct material, labor costs and those indirect costs related to contract performance, such as indirect labor and other supplies. Selling, general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and revenues which are recognized in the period in which the revisions are determined. Changes in estimated job profitability resulting from job performance, job conditions, contract penalty provisions, claims, change orders, and settlements, are accounted for as changes in estimates in the current period.

Gross Excise Tax

The State of Hawaii imposes a gross receipts tax on all business operations done in Hawaii. The Company records the tax revenue and expense on a gross basis.

Cost of Sales

Cost of sales consists of direct and indirect material and labor costs for solar energy system installations as well as warranty costs, permitting fees, financing fees and overhead, including costs related to procurement, warehousing and inventory management.

Share-Based Compensation

The Company accounts for share-based compensation awards on a fair value basis. The estimated grant date fair value of each stock-based award is recognized in the condensed consolidated statements of operations over the requisite service period (generally the vesting period). The Company recognizes forfeitures as they occur.

Warranty

SUNation offers product warranties for various periods against defects in material or installation workmanship. The manufacturers of the solar panels and the inverters provide a warranty period of generally 25 years and 10 years, respectively. SUNation will assist its customers in the event that the manufacturers' warranty needs to be used to replace a defective solar panel or inverter. SUNation provides for warranty up to the lifetime of the system on the installation of a system and all equipment and incidental supplies other than solar panels and inverters that are recovered under the manufacturers' warranty. SUNation provides extended workmanship warranties to the customer for up to 25 years for the service of inverters, which is reimbursed by the manufacturer.

The Company estimates its warranty obligations upon installation, an expense included in cost of sales, based on management's best estimate of the probable cost to be incurred in honoring its warranty commitment.

Segment Information

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker, or decision-making group, in deciding the method to allocate resources and assess performance. Our chief operating decision maker ("CODM") is a committee comprised of our chief executive officer, chief operating officer and chief financial officer. Based on the financial information presented to and reviewed by our CODM in deciding how to allocate resources and in assessing performance, we have determined we have two operating and reportable segments.

Net Loss Per Share

Basic net loss attributable to common shareholders per common share is based on the weighted average number of common shares outstanding during each period. Diluted net loss attributable to common shareholders per common share adjusts for the dilutive effect of potential common shares outstanding. The Company had $11,322,639 in deemed dividends during the six months ended June 30, 2024, which decreases the numerator in the net loss per share calculation. The Company's only potential additional common shares outstanding are common shares that would result from the conversion of the convertible preferred shares, warrants, convertible debt and shares associated with the long-term incentive compensation plans, which resulted in no dilutive effect for the three and six months ended June 30, 2025 and June 30, 2024. The Company calculates the dilutive effect of outstanding warrants and unvested shares using the treasury stock method and the dilutive effect of outstanding preferred shares and convertible debt using the if-converted method. There were no options or deferred stock awards excluded from the calculation of diluted earnings per share because there were no outstanding options or deferred stock awards as of both June 30, 2025 and 2024. Warrants totaling 0 and 1,557 and restricted stock units totaling 5 and 4 would have been excluded from the calculation of diluted earnings per share for the six months ended June 30, 2025 and 2024, respectively, even if there had not been a net loss in those periods, because the exercise price was greater than the average market price of common stock during the period.

Accounting Standards Issued

In October 2023, the FASB issued ASU 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative," which is intended to clarify or improve disclosure and presentation requirements of a variety of topics. Many of the amendments will allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements and align the requirements in the FASB accounting standard codification with the SEC's regulations. The amendments in ASU 2023-06 will become effective on the date the related disclosures are removed from Regulation S-X or Regulation S-K by the SEC, and will no longer be effective if the SEC has not removed the applicable disclosure requirement by June 30,

2027. Early adoption is prohibited. The Company is currently evaluating this ASU and the impact it may have on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures,” which expands disclosures in an entity’s income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. This ASU is effective for fiscal periods beginning after December 15, 2024, with early adoption permitted. The Company discloses its income tax rate reconciliation in its annual financial statements only and does not expect the adoption of this ASU to have a material impact on its financial statements.

In November 2024, the FASB issued ASU 2024-03, “Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses”, which requires disclosure in the notes to the financial statements of specified information about certain costs and expenses. The amendments are effective for fiscal years beginning after December 15, 2026, and for interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either prospectively to financial statements issued for reporting periods after the effective date of this ASU or retrospectively to any or all prior periods presented in the financial statements. The Company is currently evaluating this ASU and the impact it may have on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-04, “Debt with Conversion and Other Options,” which clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. This ASU is effective for annual periods beginning after December 15, 2025, and interim reporting periods within those annual report periods. Early adoption is permitted for all entities that have adopted the amendments in ASU Update 2020-06. Adoption can be on a prospective or retrospective basis. The Company is currently evaluating this ASU and the impact it may have on its consolidated financial statements.

In July 2025, the FASB issued ASU 2025-05, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets”. ASU 2025-05 provides a practical expedient that all entities can use when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606, “Revenue from Contracts with Customers”. Under this practical expedient, an entity is allowed to assume that the current conditions it has applied in determining credit loss allowances for current accounts receivable and current contract assets remain unchanged for the remaining life of those assets. ASU 2025-05 is effective for fiscal years beginning after December 15, 2025, and interim reporting periods in those years. Entities that elect the practical expedient and, if applicable, make the accounting policy election are required to apply the amendments prospectively. The Company is currently evaluating this ASU and the impact it may have on its consolidated financial statements.

NOTE 3 – REVENUE RECOGNITION

Disaggregation of revenue

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that best reflects the consideration we expect to receive in exchange for those goods or services.

The following table disaggregates revenue based on type:

	Revenue by Type			
	Three Months Ended June 30			
	SUNation		HEC	
	2025	2024	2025	2024
Residential contracts	$ 8,016,690	$ 8,484,744	$ 2,727,495	$ 3,665,952
Commercial contracts	1,261,992	492,202	139,319	(13,143)
Service revenue	542,167	754,701	376,591	164,964
	$ 9,820,849	$ 9,731,647	$ 3,243,405	$ 3,817,773

	Revenue by Type			
	Six Months Ended June 30			
	SUNation		HEC	
	2025	2024	2025	2024
Residential contracts	$ 15,912,812	$ 16,616,452	$ 5,466,295	$ 6,893,831
Commercial contracts	2,537,880	1,489,395	139,319	(13,143)
Service revenue	914,711	1,378,770	729,875	403,312
	$ 19,365,403	$ 19,484,617	$ 6,335,489	$ 7,284,000

The following table disaggregates revenue based on the timing of satisfaction of the performance obligations:

	Three Months Ended June 30			
	SUNation		HEC	
	2025	2024	2025	2024
Performance obligations satisfied at a point in time	$ 8,558,857	$ 9,239,445	$ 3,104,086	$ 3,830,916
Performance obligations satisfied over time	1,261,992	492,202	139,319	(13,143)
	$ 9,820,849	$ 9,731,647	$ 3,243,405	$ 3,817,773

	Six Months Ended June 30			
	SUNation		HEC	
	2025	2024	2025	2024
Performance obligations satisfied at a point in time	$ 16,827,523	$ 17,995,222	$ 6,196,170	$ 7,297,143
Performance obligations satisfied over time	2,537,880	1,489,395	139,319	(13,143)
	$ 19,365,403	$ 19,484,617	$ 6,335,489	$ 7,284,000

Contract Balances

Contract assets represent costs and earnings in excess of amounts billed and direct costs, including commissions, financing and permitting fees paid prior to recording revenue. Contract liabilities represent amounts billed to clients in excess of revenue recognized to date and billings in excess of costs and earnings. Contract assets were $604,077 , $560,648, and $57,241 at June 30, 2025, December 31, 2024, and January 1, 2024, respectively. Contract liabilities were $1,955,162, $2,314,483, and $2,552,452 at June 30, 2025, December 31, 2024, and January 1, 2024, respectively. During the six months ended June 30, 2025, $1,953,276 within contract liabilities as of December 31, 2024 has been recognized within revenue.

NOTE 4 – CONTRACTS IN PROGRESS

Billings in excess of costs and estimated earnings as of June 30, 2025 and December 31, 2024 are as follows:

	June 30, 2025	December 31, 2024
Billings to date	$ 647,062	$ 3,055,354
Costs incurred on uncompleted contracts	121,498	1,120,213
Estimated earnings	104,090	1,490,831
Cost plus estimated earnings	225,588	2,611,044
Billings in excess of costs plus estimated earnings on uncompleted contracts	$ 421,474	$ 444,310

Costs and estimated earnings in excess of billings as of June 30, 2025 and December 31, 2024 are as follows:

	June 30, 2025	December 31, 2024
Costs incurred on uncompleted contracts	$ 2,895,293	$ 1,233,151
Estimated earnings	2,802,369	1,219,234
Total costs and estimated earnings	5,697,662	2,452,385
Billings to date	5,093,585	1,891,737
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 604,077	$ 560,648

NOTE 5 –INTANGIBLE ASSETS

The Company's identifiable intangible assets with finite lives are being amortized over their estimated useful lives and were as follows:

		June 30, 2025			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Impairment loss	Net
Tradenames & trademarks	8 years	$ 17,900,000	$ (6,797,917)	$ —	$ 11,102,083
Developed technology	4 years	2,400,000	(1,650,000)	(750,000)	—
		$ 20,300,000	$ (8,447,917)	$ (750,000)	$ 11,102,083

		December 31, 2024			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Impairment loss	Net
Tradenames & trademarks	8 years	$ 17,900,000	$ (5,679,167)	$ —	$ 12,220,833
Developed technology	4 years	2,400,000	(1,650,000)	(750,000)	—
		$ 20,300,000	$ (7,329,167)	$ (750,000)	$ 12,220,833

Amortization expense on these identifiable intangible assets was $559,375 and $709,375 during the three months ended June 30, 2025 and 2024, respectively and $1,118,750 and $1,418,750 for the six months ended June 30, 2025 and 2024, respectively. The estimated future amortization expense for identifiable intangible assets during the next fiscal years is as follows:

Quarter Ending and Year Ending December 31:	
Q3 - Q4 2025	$ 1,118,750
2026	2,237,500
2027	2,237,500
2028	2,237,500
2029	2,237,500
Thereafter	1,033,333
Total	$ 11,102,083

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Revolving Line of Credit

On April 14, 2025, the Company entered into a Secured Revolving Line of Credit Agreement (the "Revolving Credit Agreement") with MBB Energy, LLC ("MBB"), an affiliate of the Company, as lender, providing for a $1.0 million revolving credit facility (the “Revolver”). The Revolver matures on April 14, 2026, unless earlier terminated pursuant to its terms.

Borrowings, if any, under the Revolver will bear interest at a fixed annual rate of 8%, payable monthly in arrears on the first day of each calendar month. The Revolving Credit Agreement includes customary affirmative and negative covenants, as well as standard events of default, which, if triggered, may permit the lender to accelerate all outstanding obligations under the facility. The Company may repay outstanding borrowings at any time without penalty. As of June 30, 2025, no amounts have been drawn on the Revolver. As of June 30, 2025, the Company was in compliance with all covenants and other requirements of the Revolving Credit Agreement.

Loan Payable

Pineapple Energy LLC entered into a loan on December 11, 2020 in an original amount of $7,500,000 payable to Hercules Capital, Inc. (“Hercules”) under a loan and security agreement (the “Term Loan Agreement”). This loan accrued interest at 10%, payable-in-kind (“PIK”) and was initially due and payable on December 10, 2023. There were no financial covenants associated with this loan. This loan was used to acquire fixed assets, inventory, and intangible assets of Sungevity in an asset acquisition in December 2020. As the transaction did not involve the exchange of monetary consideration, the assets were valued at the Company’s most reliable indication of fair value, which was debt issued in consideration for the assets. Accordingly, Pineapple Energy assessed the fair market value of the debt instrument at $4,768,000 at the asset acquisition date (a non-recurring Level 3 fair value input). The Company initially accreted the value of the debt over its life at a discount rate of approximately 25%.

On December 16, 2021, the Term Loan Agreement was amended, whereby, among other things, the maturity date was extended to December 31, 2024, subject to various prepayment criteria. In addition, the amendment provided that $4,500,000 plus all accrued and unpaid interest and expenses were to be repaid upon Closing and receipt of the PIPE funds, with the remaining principal to be paid upon the loan maturity date. The amendment represented a modification to the loan agreement with the existing lender as both the original loan agreement and the amendment allow for immediate prepayment and the Company passed the cash flow test.

On May 31, 2023, the Term Loan Agreement was further amended (the “Second Amendment”), primarily for the purpose of obtaining consent for the senior financing from Decathlon Specialty Finance, LLC (the “Decathlon Financing”), the proceeds of which were partially applied to repay $1,500,000 of the principal amount of the term loan. At the time of the Second Amendment and prior to the repayment, the aggregate remaining balance of the term loan, including principal and interest, was $3,375,742. The Second Amendment also extended the maturity date of the term loan to June 2, 2027 and set the interest rate at ten percent (10.0%) payable monthly and removing the PIK interest. After giving effect to the Second Amendment, the aggregate remaining principal balance of $1,875,742 along with interest is payable in equal monthly installments of principal and interest beginning on July 3, 2023 and continuing on the first business day of each month thereafter. The Second Amendment represented a modification under ASC 470-50 as the original loan agreement and the amended agreement are not substantially different.

On July 22, 2024, the Term Loan Agreement was further amended (the “Third Amendment”), primarily for the purpose of obtaining consent for the bridge loan financing from Conduit Capital U.S. Holdings LLC and MBB Energy, LLC. The Third Amendment represented a modification under ASC 470-50 as the original loan agreement and the amended agreement were not substantially different. The Company also entered into a Joinder and Amendment to Subordination Agreement (the “Joinder Agreement”) with Decathlon, Hercules Capital, Inc., Conduit and MBB. Pursuant thereto, Conduit and MBB became parties to the Subordination Agreement dated June 21, 2023, among the Company, Decathlon, and Hercules Capital, Inc. In accordance with the Joinder Agreement, Conduit and MBB agreed to subordinate their respective security interests in the Company’s assets, to the first priority security interest of Decathlon and the second security priority interest of Hercules.

On September 20, 2024, the Term Loan Agreement was further amended (the “Fourth Amendment”), whereby Hercules waived the October 2024 amortization payment. The Company made payment of monthly interest on October 1, 2024 and resumed making monthly payment of principal on November 1, 2024 pursuant to the loan agreement. The Fourth Amendment represented a modification as both the original loan agreement and the amendment are not substantially different.

At December 31, 2024, the combined loan and accrued interest balance was $680,513. A new effective interest rate of approximately 48.6% was established during the second quarter of 2023 based on the carrying value of the revised cash flows. As of March 3, 2025, the combined loan and accrued interest balance, net of unamortized debt discount and debt issuance costs, was $682,955 and the aggregate remaining balance of the Term Loan, including principal and interest, was $1,230,555; however, the parties to the Term Loan Agreement agreed to a reduced aggregate repayment amount of $1,138,263, if voluntarily repaid early in full. On March 3, 2025, the Company repaid the remaining balance of this loan in full using a portion of the proceeds from the first tranche of the securities offering which occurred on February 27, 2025 (see Note 9, Equity, for further details). As a result of this complete repayment, the Term Loan Agreement has been terminated (together with other agreements and instruments related thereto), and no further monthly or other payments or remuneration of any kind shall be paid or be payable following the termination of this Term Loan Agreement, and no early termination penalties or prepayment premium were incurred by the Company in connection with the termination of this Loan Agreement. The Company recorded a loss on extinguishment of debt of $455,308 in connection with the repayment of the loan, which represents the difference between (a) the reduced aggregate repayment amount and (b) the carrying amount of the loan at the repayment date, which included the outstanding principal and interest balance, less unamortized debt discount and debt issuance costs.

Interest and accretion expense was $0 and $192,290 for three months ended June 30, 2025 and 2024, respectively, and $100,450 and $395,119 for the six months ended June 30, 2025 and 2024, respectively. The loan was collateralized by all of Pineapple Energy LLC's personal property and assets.

Decathlon Fixed Loan

On June 1, 2023, the Company entered into a Revenue Loan and Security Agreement (the "Loan Agreement") with Decathlon Specialty Finance, LLC ("Decathlon"). The Loan Agreement provided for a loan facility for the Company in the maximum amount of $7.5 million with a maturity date of June 1, 2027 (the "Decathlon Fixed Loan"), with the full amount being advanced to the Company upon execution of the Loan Agreement. The Decathlon Fixed Loan contained customary conditions, representations and warranties, affirmative and negative covenants, mandatory prepayment provisions and events of default. The advances were secured by all present and hereafter acquired property of the Company.

At issuance of the Loan Agreement, the Company concluded that the potential acceleration of amounts outstanding under the Loan Agreement upon an event of default included a substantial premium and met the requirement to be bifurcated and recorded as a derivative liability at fair value at inception and at the end of each quarterly reporting period. As of December 31, 2024, the fair value of this embedded derivative liability was estimated to be $24,800 and was recorded within current liabilities.

The Decathlon Fixed Loan was repayable in fixed monthly payments, which generally aggregate to $960,000 that was paid in 2023, $2,220,000 that was paid in 2024, $2,580,000 payable in 2025, $2,760,000 payable in 2026 and $3,480,000 payable in 2027 to the maturity date. All outstanding advances and interest under the Loan Agreement were scheduled to be due at maturity on June 1, 2027 (unless accelerated upon a change of control or the occurrence of other events of default). Interest accrued on the amounts advanced pursuant to the Loan Agreement at such rate as is necessary to generate an amount equal to the Minimum Interest, which was defined in the Loan Agreement as the following multiple of the advanced amount depending on the period during which all amounts due under the Loan Agreement were paid: (i) 0.25 times if on or before 12 months after the Effective Date (as defined in the Loan Agreement); (ii) 0.35 times if after 12 months and on or before 24 months after the Effective Date; (iii) 0.50 times if after 24 months and on or before 36 months after the Effective Date; and 0.60 times if after 36 months after the Effective Date. The Company could at its option prepay the advance(s) and accrued but unpaid interest from time to time without penalty or premium (other than payment of the Minimum Interest (as defined in the Loan Agreement)).

The Company incurred an aggregate of $348,065 in debt issuance costs that were recorded as a discount and were amortized using the effective interest method over the life of the Decathlon Fixed Loan using an effective interest rate of 21%. At December 31, 2024, the combined loan and accrued interest balance was $6,586,325, and the unamortized debt issuance costs balance was $173,193. As of March 3, 2025, the combined loan and accrued interest balance, net of unamortized debt issuance costs, was $6,435,999 and the aggregate balance, together with accrued principal and interest, remaining under the Loan Agreement was $6,740,516; however, the parties to the Loan Agreement agreed to a reduced aggregate repayment amount of $6,229,875 if voluntarily repaid early in full. On March 3, 2025, the Company repaid the remaining balance of this loan in full using a portion of the proceeds from the first tranche of the securities offering which occurred on February 27, 2025 (see Note 9, Equity, for further details). As a result of this complete repayment, the Decathlon Loan Agreement has been terminated (together with other agreements and instruments related thereto), and no further monthly or other payments or remuneration of any kind shall be paid or be payable following the termination of this Loan Agreement, and no early termination penalties or prepayment premium were incurred by the Company in connection with the termination of this Loan Agreement. The Company recorded a gain on extinguishment of debt of $230,924 in connection with the repayment of the loan, which represents the difference between (a) the reduced aggregate repayment amount and (b) the carrying amount of the loan at the repayment date, which included the outstanding principal and interest balance, plus the fair value of the embedded derivative liability, and less unamortized debt issuance costs.

The Company recorded interest expense of $0 and $379,721 for the three months ended June 30, 2025 and 2024, respectively, and $232,866 and $769,178 for the six months ended June 30, 2025 and 2024, respectively.

SUNation Long-Term Note and Earnout

In connection with the SUNation acquisition, on November 9, 2022, the Company issued a $5,486,000 Long-Term Promissory Note (the "Long-Term Note"). The Long-Term Note was unsecured and matured on November 9, 2025. It carried an annual interest rate of 4% until the first anniversary of issuance, then 8% thereafter until the Long-Term Note was paid in full. Interest was due annually on each December 31st. The Company was unable to make the second and third interest payments totaling $250,703 and $460,194 due on December 31, 2023 and 2024, respectively. The Company was required to make a principal payment of $2,740,000 on November 9, 2024. The Company was not permitted to make any payments under the Long-Term Note unless Decathlon had provided prior written consent to such payment pursuant to the Loan Agreement. Pursuant to that certain subordination letter dated May 31, 2023, each holder of the Long-Term Note had subordinated all payments under the Long-Term Note to the obligations owed to Decathlon under the Loan Agreement (the "Decathlon Obligations") and had agreed that, until the Decathlon Obligations have been paid in full, any payment under the Long-Term Note was subject to Decathlon's prior written consent. As the debt was part of the SUNation purchase price allocation, the Company assessed the fair market value of the debt instrument at $4,830,533 at the asset acquisition date (a non-recurring Level 3 fair value input). The Company accretes the value of the debt over its life at a discount rate of approximately 11.2%. The Long-Term Note may be prepaid at the Company's option at any time without penalty.

On March 13, 2025, the Company paid the previously unpaid interest totaling $710,897, after the Decathlon debt was paid in full. As noted above, the Company paid the Decathlon debt in full on March 3, 2025 and no longer had to receive written consent to make these payments.

On April 10, 2025 the Long-Term Note was amended and restated as follows: The principal amount of $5,486,000 previously due and payable under the original Long-Term Note, together with all accrued and unpaid interest owing thereunder, shall be due and payable on May 1, 2028 (the "Maturity Date"), and such amended note ("Amended Long-Term Note") is now a senior secured instrument. The total balance of the Amended Long-Term Note on April 10, 2025 was $5,605,436 and interest accrues at 8% per annum. Principal and interest payments under the Amended Long-Term Note shall be payable monthly on the first day of each month commencing with June 1, 2025 for thirty-six (36) consecutive months thereafter pursuant to the terms thereunder. The Amended Long-Term Note represented a modification under ASC 470-50 as the original loan agreement and amended loan agreement are not substantially different. The Company applied modification accounting to the amendment of the Long-Term Note and recorded $38,613 of debt issuance costs as part of the discount on the Amended Long-Term Note.

The Amended Long-Term Note includes optional and mandatory prepayment provisions, including required partial or full repayment in connection with specified capital raises. The Amended Long-Term Note is a senior secured instrument pursuant to a pledge agreement and includes customary default provisions and acceleration clauses.

On April 10, 2025, the Company agreed to amend the terms of the unearned 2024 earnout by entering into the Senior Secured Contingent Note Instrument ("Contingent Note"). Pursuant to the terms of the Contingent Note, the unearned 2024 earnout was rescheduled and shall be based on the earnout terms set forth therein pursuant to the financial conditions and terms covering each of fiscal years 2024 and 2025 and, if attained, shall be payable in fiscal year 2026, which payment is further conditioned on the continued employment of the holders at the time of such earnout payment trigger date. The maximum amount due under the earnout liability is $2,500,000 payable to the holders in the form of the Contingent Note, issuable on the earnout payment trigger date. Interest accrues on the Contingent Note commencing the month after issuance at a rate of 8% per annum, payable in arears, and repayments of principal are due in 24 equal monthly installments commencing the month after issuance.

The earnout liability is accounted for under ASC 710 as a deferred compensation arrangement and is accreted to $2,303,182 over the requisite service period as it is probable the financial conditions will be attained. The earnout liability represents the present value of the expected future cash flows as of the eligibility date of May 5, 2026. The balance of the earnout liability at June 30, 2025 was $512,821. Compensation expense related to the earnout liability for the three and six months ended June 30, 2025 totaled $512,821 and is recorded in “Selling, general and administrative expenses.”

As noted in Note 12, Fair Value Measurements, the Company had a remaining earnout consideration accrual balance of $2,500,000 at December 31, 2024 related to the SUNation acquisition earned 2023 earnout. During the six months ended June 30, 2025, the Company paid the balance to satisfy the outstanding liability of the earned 2023 earnout in full.

Conduit Capital Bridge Loan

On July 22, 2024, the Company obtained bridge loan financing for working capital purposes from Conduit Capital U.S. Holdings LLC (“Conduit”), an unaffiliated lender (the “Original Conduit Note”). On such date, Conduit loaned the principal sum of $500,000 to the Company on an original issue (“OID”) basis of 20% and accordingly, Conduit advanced $400,000 to the Company (the “Initial Conduit Loan”). The loans due to Conduit accrued interest on the unpaid principal amount, without deduction for the OID, at an annual rate of 20%; provided that payment in full on the Conduit Maturity Date (as defined below) would satisfy the interest accrual on the loans from initial issuance to the Conduit Maturity Date. All such loans were secured by a pledge of all of the Company’s assets. As a condition to such loan(s), the Company agreed to cause the nomination of a designee of Conduit for election to its Board of Directors.

The loans due to Conduit were scheduled to become due on July 21, 2025 (the “Conduit Maturity Date”). In accordance with the terms of the loan agreements with Conduit, if the Company consummated one or more equity offerings prior to the Conduit Maturity Date in which it derived aggregate gross proceeds of at least $3.15 million, it would be required to repay the unpaid principal balance of the Initial Conduit Loan, including the OID, simultaneous with the closing(s) of such offering(s). Further, if the Company consummated one or more equity offerings prior to the Conduit Maturity Date in which it derived aggregate gross proceeds of at least $4.4 million, the Company would be required to repay the entire unpaid principal amount of all loans due to Conduit, including the OID, simultaneous with the closing(s) of such offering(s).

At issuance of the Original Conduit Note, the Company concluded that the potential acceleration of amounts outstanding under the loan agreements with Conduit upon an event of default or if the Company consummated one or more equity offerings meeting certain criteria (as noted above) included a substantial premium and met the requirement to be bifurcated and recorded as a derivative liability at fair value at inception and revalued at the end of each quarterly reporting period. The Company determined the initial fair value of this embedded derivative liability to be $8,080 and recorded a corresponding debt discount. As of December 31, 2024, the fair value of this embedded derivative liability was estimated to be $28,360 and was recorded within current liabilities.

The Company incurred $18,150 in debt issuance costs in connection with the Initial Conduit Loan that were recorded as a discount and initially amortized using the effective interest method over the life of the Initial Conduit Loan along with the OID of $100,000 and initial fair value of the embedded derivative liability using an effective interest rate of approximately 29.1%.

On September 9, 2024, the Company and Conduit entered into an Amended and Restated Convertible Secured Note (the “First Amended Conduit Note”) which amended the Original Conduit Note, which provided for an additional principal advance of $120,000 (the “Second Conduit Advance”). The First Amended Conduit Note also provided that Conduit may convert all or any portion of the Second Conduit Advance and all accrued but unpaid interest thereon into a number of shares (the “Conduit Note Conversion Shares”) of the Company’s common stock calculated as the total dollar amount to be converted divided by $4,500.00 ($0.45 prior to the Reverse Stock Splits) (the “Conversion Price”). The Company analyzed the changes made in the First Amended Conduit Note under ASC 470-50 to determine if extinguishment accounting was applicable. Under ASC 470-50-40-10, a modification or an exchange that adds or eliminates a substantive conversion option as of the conversion date is always considered substantial and requires extinguishment accounting. Since the First Amended Conduit Note added a substantive conversion option, extinguishment accounting was applicable. In accordance with the extinguishment accounting guidance, the Company recorded a loss on extinguishment of $35,657, which represented the difference between (a) the fair value of the modified loans due to Conduit less the net cash proceeds received from the Second Conduit Advance and (b) the carrying amount of the loans due to Conduit immediately prior to the Second Conduit Advance.

On September 23, 2024, the Company and Conduit entered into a further amended and restated convertible secured credit note (the "Second Amended Conduit Note"), which amended and restated the First Amended Conduit Note. Under the terms of the Second Amended Conduit Note, Conduit loaned an additional principal sum of $380,000 to the Company (the "Third Conduit Advance") on an OID basis of 20%. Additionally, pursuant to the Second Amended Conduit Note, Conduit was granted a demand registration right, which is in addition to the piggyback registration rights set forth in the First Amended Conduit Note, which registration rights are inclusive of all convertible shares issuable for the Second Conduit Advance and Third Conduit Advance, if converted; however, all out of pocket costs and expenses incurred in connection with this demand registration right would be borne by Conduit. The Third Conduit Advance, together with all accrued but unpaid interest thereon, was convertible into shares of common stock at the Conversion Price. The Second Amended Conduit Note represented a modification under ASC 470-50 as the First Amended Conduit Note and the Second Amended Conduit Note were not substantially different. A new effective interest rate of approximately 22.9% was established following the Third Conduit Advance based on the carrying value of the revised cash flows.

Notwithstanding anything to the contrary as set forth in the Conduit Note or any tranche or amendment related thereto, in no event could the Original Issue Discount, together with interest payable under the Conduit Note or such other documents related thereto, exceed an aggregate of twenty percent on the then outstanding principal sum, except in the event of a default, which shall include an additional 5% on the then outstanding principal sum.

At December 31, 2024, the loan balance was $1,000,000, and the unamortized debt issuance costs balance was $119,389.
As of February 28, 2025, the loan balance, net of unamortized debt issuance costs, was $913,924, and the aggregate loan balance was $1,000,000. On February 28, 2025, the Company paid the $1,000,000 total loan balance to Conduit as the Company had gross proceeds from equity offerings in excess of $4.4 million (see Note 9, Equity, for further details). As a result of this complete repayment, the Conduit note has been terminated and no further principal, interest or accrual thereunder remain following the repayment and related termination of the Conduit loan agreement(s). The Company recorded a loss on extinguishment of debt of $57,716 in connection with the repayment of the loan, which represents the difference between (a) the aggregate repayment amount and (b) the carrying amount of the loan at the repayment date, which included the outstanding principal balance, plus the fair value of the embedded derivative liability, and less unamortized debt issuance costs.

The Company did not record interest expense during the three months ended June 30, 2025 and 2024, respectively and recorded expense of $33,312 and $0 during the six months ended June 30, 2025 and 2024, respectively.

MBB Energy Bridge Loan

On July 22, 2024, the Company obtained bridge loan financing for working capital purposes from MBB, an affiliate of the Company (the "Original MBB Note"). On such date, MBB loaned the principal sum of $500,000 to the Company on an OID basis of 20% and accordingly, MBB advanced the sum of $400,000 to the Company (the "Initial MBB Loan"). The loans due to MBB accrued interest on the unpaid principal amount, without deduction for the OID, at an annual rate of 20%; provided that payment in full on the MBB Maturity Date (as defined below) satisfied the interest accrual on the loans from initial issuance to the Conduit Maturity Date. All such loans were secured by a pledge of all of the Company's assets. MBB has granted Conduit the exclusive right to enforce MBB's loans on MBB's behalf.

The loans due to MBB were scheduled to become due on July 21, 2025 (the "MBB Maturity Date"). In accordance with the terms of the loan agreements with MBB, if the Company consummated one or more equity offerings prior to the MBB Maturity Date in which it derived aggregate gross proceeds of at least $3.15 million, it was required to repay the unpaid principal balance of the Initial MBB Loan, including the OID, simultaneous with the closing(s) of such offering(s).

Further, if the Company consummated one or more equity offerings prior to the MBB Maturity Date in which the Company derived aggregate gross proceeds of at least $4.4 million, the Company was required to repay the entire unpaid principal amount of all loans due to MBB, including the OID, simultaneous with the closing(s) of such offering(s).

At issuance of the Original MBB Note, the Company concluded that the potential acceleration of amounts outstanding under the loan agreements with MBB upon an event of default or if the Company consummated one or more equity offerings meeting certain criteria (as noted above) included a substantial premium and met the requirement to be bifurcated and recorded as a derivative liability at fair value at inception and at the end of each quarterly reporting period. The Company determined the initial fair value of this embedded derivative liability to be $8,080 and recorded a corresponding debt discount. As of December 31, 2024, the fair value of this embedded derivative liability was estimated to be $29,121 and was recorded within current liabilities.

The OID of $100,000 was recorded as a discount and initially amortized using the effective interest method over the life of the Initial MBB Loan along with the initial fair value of the embedded derivative liability using an effective interest rate of approximately 24.3%.

On August 16, 2024, MBB provided an additional principal advance of $500,000 (the "Second MBB Advance"). The Second MBB Advance represented a modification under ASC 470-50. A new effective interest rate of approximately 24.1% was established following the Second MBB Advance based on the carrying value of the revised cash flows.

Notwithstanding anything to the contrary as set forth in the MBB Note or any tranche or amendment related thereto, in no event could the OID, together with interest payable under the MBB Note or such other documents related thereto, exceed an aggregate of twenty percent on the then outstanding principal sum, except in the event of a default, which shall include an additional 5% on the then outstanding principal sum.

At December 31, 2024, the loan balance was $1,000,000, and the unamortized debt issuance costs balance was $125,391. As of February 28, 2025, the loan balance, net of unamortized debt issuance costs, was $909,509, and the aggregate loan balance was $1,000,000. On February 28, 2025, the Company repaid the $1,000,000 total loan balance to MBB as the Company had gross proceeds from equity offerings in excess of $4.4 million (see Note 9, Equity, for further details). As a result of this complete repayment, the MBB note has been terminated and no further principal, interest or accrual thereunder remain following the repayment and related termination of the MBB loan agreement(s). The Company recorded a loss on extinguishment of debt of $61,370 in connection with the repayment of the loan, which represents the difference between (a) the aggregate repayment amount and (b) the carrying amount of the loan at the repayment date, which included the outstanding principal balance, plus the fair value of the embedded derivative liability, and less unamortized debt issuance costs.

The Company did not record interest expense during the three months ended June 30, 2025 and 2024, respectively and recorded expense of $34,900 and $0 during the six months ended June 30, 2025 and 2024, respectively.

Equipment Loans

The Company obtains various equipment loan agreements through SUNation. These loans are secured by machinery and equipment and expire at various dates through August 2029 with interest rates ranging from 4.5 to 9.7% per annum. The balance for the equipment loans recorded at June 30, 2025 and December 31, 2024 was $203,855 and $238,266, respectively. Interest expense was $4,332 and $2,592 for the three months ended June 30, 2025 and 2024, respectively and $8,909 and $11,560 for the six months ended June 30, 2025 and 2024, respectively.

Promissory Note

Through the SUNation acquisition, the Company acquired a promissory note with a former shareholder and member of SUNation through a buyout agreement. The promissory note includes monthly payments of principal and interest at an annual rate of 3.25%. The promissory note matures on March 1, 2031. The balance for the promissory note recorded at June 30, 2025 and December 31, 2024 was $1,282,722 and $1,409,313, respectively. Interest expense was $10,767 and $12,796 for the three months ended June 30, 2025 and 2024, respectively, and $22,047 and $26,090 for the six months ended June 30, 2025 and 2024, respectively.

Other Contingencies

In the ordinary course of business, the Company is exposed to legal actions and claims and incurs costs to defend against these actions and claims. Company management is not aware of any outstanding or pending legal actions or claims that could materially affect the Company's financial position or results of operations.

At December 31, 2024, the Company accrued $1,300,000 for loss contingencies related to certain prior securities issuances. During the first six months of 2025, the Company settled this obligation by issuing 6,068 shares (1,213,656 shares prior to the April Reverse Stock Split) of common stock and payment of $740,458 in cash. There was no remaining accrual balance at June 30, 2025.

NOTE 7 – RELATED PARTY TRANSACTIONS

Related party receivables

The Company has provided advances to employees resulting in a balance as of June 30, 2025 and December 31, 2024 of $23,039 and $23,471, respectively.

Leases

The Company leases its offices in Hawaii from a company owned by the prior owner of HEC, of whom is still an employee. The Company leased its New York office from a company owned by the prior owners of SUNation, one of whom is an officer and another the Interim Chief Executive Officer and director of the Company, until September 12, 2024, when the building and related lease was sold to a third-party.

Debt

As of June 30, 2025, the Company only has outstanding related party debt under the SUNation Long-Term Note and the Revolving Credit Agreement. The MBB Note was paid in full during the first quarter of 2025. See further information regarding the related part debt within Note 6, Commitments and Contingencies.

NOTE 8 – SHARE-BASED COMPENSATION

2022 Equity Incentive Plan

On January 24, 2022 the CSI board of directors adopted, and on March 16, 2022 the Company's shareholders approved, the Company's 2022 Equity Incentive Plan ("2022 Plan"), which became effective on March 28, 2022. The 2022 Plan authorizes incentive awards to officers, key employees, non-employee directors, and consultants in the form of options (incentive and non-qualified), stock appreciation rights, restricted stock awards, stock unit awards, and other stock-based awards. Following amendments approved on December 7, 2022 and July 19, 2024, the 2022 Plan authorizes the issuance of up to 67 shares of common stock (10,000,000 prior to the Reverse Stock Splits). At June 30, 2025, 4 shares had been issued under the 2022 Plan, 3 shares were subject to currently outstanding unvested restricted stock units ("RSUs"), and 60 shares were available for grant under future awards.

Inducement Grants

On October 10, 2022, the board of directors approved an inducement grant of 1 RSU (54,852 prior to the Reverse Stock Splits) in connection with the hiring of a new Chief Financial Officer. On November 6, 2022, the board of directors approved inducement grants totaling 1 RSU (89,698 prior to the Reverse Stock Splits) in connection with the hiring of Senior Vice Presidents in connection with the SUNation acquisition.

<u>Changes in Restricted Stock Units Outstanding</u>

The following table summarizes the changes in the number of RSUs during the six months ended June 30, 2025:

	RSUs	Weighted Average Grant Date Fair Value Per Share
Outstanding – December 31, 2024	9	$ 246,833.33
Units Granted	—	—
Shares Issued	(4)	150,221.25
Forfeited	—	—
Outstanding – June 30, 2025	5	288,900.00

All RSUs and weighted average grant date fair value per share values have been adjusted to reflect the impact of the Reverse Stock Splits of the common stock at ratios of 1-for-200 that became effective on April 21, 2025, 1-for-50 that became effective on October 17, 2024 and 1-for-15 that became effective on June 12, 2024. See Note 1, "Nature of Operations," for further details.

Compensation Expense

Share-based compensation expense recognized for the three months ended June 30, 2025 and 2024 was $22,461 and $(11,583), respectively and $53,276 and $185,723 for the six months ended June 30, 2025 and 2024, respectively. Unrecognized compensation expense related to outstanding RSUs was $43,417 at June 30, 2025 and is expected to be recognized over a weighted-average period of 0.8 years. Share-based compensation expense is recorded as a part of selling, general and administrative expenses.

Employee Stock Purchase Plan

On December 7, 2022, the Company's shareholders approved an Employee Stock Purchase Plan ("ESPP"), pursuant to which eligible employees are able to acquire shares of common stock at a purchase price determined by the board of directors or compensation committee prior to the start of each six-month plan phase, which price may not be less than 85% of the fair market value of the lower of the value on the first day or the last day of the phase, or the value on the last day of the phase. The ESPP is considered compensatory under current Internal Revenue Service rules. At June 30, 2025, 2 shares remained available for purchase under the ESPP.

NOTE 9 – EQUITY

Series A Preferred Stock

In June 2021, the Company entered into a stock purchase agreement to issue Series A Preferred Stock. At such time, the Series A Preferred Stock contained certain anti-dilution provisions. In November 2022, the Company amended and restated the agreement under which Series A Preferred shareholders agreed to waive such provisions in exchange for certain concessions from the Company. The Company's outstanding Series A Preferred Stock contained anti-dilution provisions that would increase the number of shares issuable upon conversion, and lower the conversion price of the Series A Preferred Stock if the Company issues equity securities at a price less than the current conversion price of the Series A Preferred Stock at the time of such issuance. In February 2024, the Company entered into a Limited Waiver and Amendment ("Waiver") and the investors agreed to a floor of $21,000.00 ($0.14 prior to the Reverse Stock Splits) with respect to the adjustment set forth for the conversion price and to waive future anti-dilution protection with respect to 50% of the shares of Preferred Stock held by such purchasers as of the date of the Waiver.

The Company is required to analyze amendments to preferred stock terms to determine the appropriate method of accounting to be applied. The Company determined that the Waiver resulted in an extinguishment of the Series A Preferred Stock. As a result, the Series A Preferred Stock was revalued immediately after the Waiver in February 2024. The difference between the previous carrying amount and the fair value of $751,125 was recognized as a deemed dividend in the three months ended March 31, 2024 that reduced additional paid-in-capital ("APIC") and income available to common shareholders in calculating earnings per share.

In addition, management evaluated the Series A Preferred Stock after the modifications and determined that they should be reclassified to mezzanine equity under ASC 480-10-S99 as a result of the Company not having sufficient authorized and unissued shares to settle a conversion to Common Stock.

Warrants

In September 2021, the Company entered into transactions with holders of its outstanding Series A Preferred Stock to issue PIPE Warrants to purchase the Company's common stock. At such time, the PIPE Warrants contained certain anti-dilution provisions. In November 2022, the Company amended and restated the agreement under which PIPE Warrant holders agreed to waive such provisions in exchange for certain concessions from the Company. The Company's outstanding Series A Warrants have anti-dilution provisions that would increase the number of shares issuable upon exercise and lower the exercise price of the Series A Warrants if the Company issues equity securities at a price less than the current exercise price of the Series A Warrants at the time of such issuance. Pursuant to the Waiver, investors agreed to a floor of $21,000.00 ($0.14 prior to the Reverse Stock Splits) with respect to the anti-dilution adjustments in the warrants and extend the term of the warrants until March 28, 2029.

The PIPE Warrants were valued immediately before and immediately after the modifications to calculate the $10.6 million incremental value of the modified PIPE Warrants. The Company considered this incremental value to be a deemed dividend that reduced income available to common shareholders in calculating earnings per share.

Management evaluated the warrants after the modifications made in February 2024 and determined that they should be reclassified from equity to liability based on the guidance in ASC 815-40 and the Company failing to have enough authorized and unissued shares available to settle an exercise of the contract. In accordance with ASC 815-40, the carrying value of the warrants were adjusted to fair value through an adjustment in stockholders' equity immediately prior to the reclassification. Subsequent to the reclassification, management remeasured the warrant liability to fair value and recorded the change in fair value to other income (expense) in the condensed consolidated statement of operations.

On September 9, 2024, the Company entered into a Securities Exchange Agreement with the holders of the Series A Preferred Stock and warrants to cancel and retire the Series A Preferred Stock and warrants in exchange for shares of Series C Convertible Preferred Stock of the Company (the "Series C Preferred Stock").

Series C Preferred Stock

On September 9, 2024, the Company's board of directors authorized the issuance of up to 35,000 shares of Series C Preferred Stock. As a result of the exchanged noted above, the Company issued 28,041 shares of Series C Preferred Stock. Each share of Series C Preferred Stock is convertible, at any time after issuance and at the option of the holder subject to certain beneficial ownership limitations, into a number of shares of common stock determined by dividing the Stated Value of such share by the Conversion Price. The Stated Value per share of Series C Preferred Stock is $1,000.00 and the Conversion Price per share of Series C Preferred Stock is $4,500.00 ($22.50 prior to the April Reverse Stock Split). The Series C Preferred Stock does not contain any of the price resets set forth in the Series A Preferred Stock, except in the case of stock splits, recapitalizations and similar transactions by the Company. During 2024, all 28,041 shares of Series C Preferred Stock were converted into 6,229 shares of common stock (1,246,262 prior to the April Reverse Stock Split). As of June 30, 2025 and December 31, 2024, there were no shares of Series C Preferred Stock outstanding.

Registered Direct Offering

On February 5, 2024, the Company entered into a securities purchase agreement with certain institutional investors for the sale by the Company of 18 shares (2,702,703 prior to the Reverse Stock Splits) of the Company's common stock in a registered direct offering. The purchasers in this offering purchased, and the Company sold, the shares at a purchase price per share of $55,500.00 ($0.37 prior to the Reverse Stock Splits). The sale closed on February 7, 2024 for aggregate gross proceeds of $1.0 million, before deducting the placement agent fees and related offering expenses.

At the Market Offering

On October 21, 2024, the Company entered into an At the Market ("ATM") Offering Agreement (the "Sales Agreement") with Roth Capital Partners, LLC (the "Sales Agent"). The Company has authorized the sale, at its discretion, of common stock shares in an aggregate offering amount up to $10,000,000 under the Sales Agreement pursuant to the Company's effective Registration Statement on Form S-3 (File No. 333-267066), as supplemented by a prospectus supplement. During the three months ended March 31, 2025, the Company sold an aggregate of 762 shares (152,250 shares prior to the April Reverse Stock Split) of common stock, respectively, for gross proceeds of $362,269 under the ATM facility, before deducting the related offering expenses. During the three months ended June 30, 2025, no shares were offered or sold under this ATM facility.

Series D Preferred Stock

On February 26, 2025, the Company entered into a consent and waiver agreement to the loan agreement with Conduit. In accordance therewith, the Company issued one share of Series D Preferred Stock to Conduit as further collateral security for the Conduit Loan. The Series D Preferred Stock was issued in accordance with a Certificate of Designation of Preferences, Rights, and Limitations filed with the State of Delaware on February 27, 2025. In connection with the issuance of the share of Series D Preferred Stock, Conduit granted an irrevocable proxy to the Company to vote such share on an as-converted basis as a single class with the holders of the Company's common stock. Upon full payment of the Conduit Loan and following the April 2025 special meeting of shareholders, the Series D Preferred Stock share was returned to the Company and was cancelled.

February 2025 Offering

On February 27, 2025, the Company entered into a securities purchase agreement (the "Purchase Agreement") with certain institutional investors in which Roth Capital Partners LLC ("Roth") acted as the placement agent pursuant to the terms of a Placement Agent Agreement ("PAA") of same date, for the purchase and sale of an aggregate of $15 million in securities in a first closing consisting of (i) 9,825 shares (1,965,000 shares prior to the April Reverse Stock Split) of common stock, and (ii) pre-funded warrants to purchase up to 55,392 shares (11,078,480 shares prior to the April Reverse Stock Split) of common stock (the "Pre-Funded Warrants), and, subject to shareholder approval, an aggregate of $5 million in securities in a second closing consisting of (x) 21,739 shares (4,347,826 shares prior to the April Reverse Stock Split) of common stock or Pre-Funded Warrants, (y) series A warrants to purchase up to 86,957 shares (17,391,306 shares prior to the April Reverse Stock Split) of common stock (the "Series A Warrants"), and (z) series B warrants to purchase up to 86,957 shares (17,391,306 shares prior to the April Reverse Stock Split) of common stock (the "Series B Warrants") in a registered direct offering (the "Offering") at a purchase price of $230.00 per share ($1.15 prior to the April Reverse Stock Split) and accompanying warrants or $229.80 per Pre-Funded Warrant ($1.1490 prior to the April Reverse Stock Split) and accompanying warrants. The Series A Warrants had an exercise price of $345.00 per share ($1.725 per share prior to the April Reverse Stock Split) subject to standard adjustments for dividends, splits and similar events; a one-time adjustment on the date of issuance (as described in the warrants), subject to a floor price described therein; and also subject to adjustment upon a Dilutive Issuance (as described in the warrants), subject to a floor price described therein. The Series B Warrants had an exercise price of $575.00 per share ($2.875 per share prior to the April Reverse Stock Split) subject to standard adjustments for dividends, splits and similar events; a one-time adjustment on the date of issuance (as described in the warrants), all of which were subject to a floor price described therein; and also subject to adjustment upon a Dilutive Issuance (as described in the warrants), subject to a floor price described therein. The Series B Warrants could also be exercised on an alternative cashless basis pursuant to which the holder may exchange each warrant for 3 shares of common stock. The Series A Warrants and Series B Warrants were issuable at the second tranche closing and were exercisable immediately after issuance and carried a term of exercise equal to five years from the date of issuance.

The Purchase Agreement contains customary representations and warranties and agreements of the Company and the Purchaser and customary indemnification rights and obligations of the parties.

The first tranche closing of the Offering occurred on February 27, 2025. The Company determined that the second closing of the Offering represents a firm commitment and a contingent forward contract to issue and sell additional shares of common stock or Pre-Funded Warrants and the Series A Warrants and Series B Warrants conditioned upon the receipt of approval by the Company's stockholders to approve the issuance of the Series A Warrants, Series B Warrants and the shares of common stock underlying such warrants. The Company determined that the contingent forward contract is a freestanding financial instrument that does not meet the requirements for equity classification due to certain settlement provisions that fail the indexation guidance in ASC 815-40 and meets the definition of a derivative. As a result, the contingent forward contract was recorded as a liability initially at its fair value on the date of issuance and will be subsequently remeasured to fair value on each balance sheet date until the underlying instruments are issued and sold in the second tranche closing of the Offering. The Company determined the initial fair value of the contingent forward contract to be $5,515,525.

The shares of common stock and Pre-Funded Warrants issued and sold in the first closing of the Offering were classified as a component of permanent equity and recorded at the issuance date using a relative fair value allocation method of the remaining proceeds of the Offering after recording the contingent forward contract at its fair value on the date of issuance. The Pre-Funded Warrants were equity classified because they were freestanding financial instruments that were legally detachable and separately exercisable from the equity instruments, were immediately exercisable, did not embody an obligation for the Company to repurchase its shares, and permitted the holders to receive a fixed number of shares of common stock upon exercise. In addition, such Pre-Funded Warrants did not provide any guarantee of value or return. As of March 31, 2025, all 55,392 Pre-Funded Warrants (11,078,480 prior to the April Reverse Stock Split) issued and sold in the first closing of the Offering had been exercised in exchange for the issuance of 55,392 shares (11,078,480 shares prior to the April Reverse Stock Split) of the Company's common stock.

On April 3, 2025, the Company received the necessary approval by the Company’s stockholders in a specially called stockholder meeting to approve the issuance of the Series A warrants, Series B warrants and the shares of common stock underlying such warrants, in addition to other matters. On April 7, 2025, the Company closed the second tranche of its previously announced securities purchase agreement, dated February 27, 2025, with certain institutional investors for the purchase and sale of 21,720 shares (4,347,826 shares prior to the April 2025 Reverse Stock Split) of the Company’s common stock (or common stock equivalents in lieu thereof), Series A warrants to purchase up to an aggregate 86,957 shares (17,391,306 shares prior to the April 2025 Reverse Stock Split) of the Company’s common stock and Series B warrants to purchase up to an aggregate 86,957 shares (17,391,306 shares prior to the April 2025 Reverse Stock Split) of the Company’s common stock at an effective purchase price of $230.00 per share ($1.15 per share prior to the April 2025 Reverse Stock Split) (or common stock equivalents in lieu thereof) and associated warrants in a registered direct offering, which was priced at-the-market under applicable Nasdaq rules, for the second tranche gross proceeds of $5.0 million. Together with the approximately $15.0 million in gross proceeds from the previously announced first tranche closing completed on February 27, 2025, the Company raised approximately $20.0 million in aggregate gross proceeds from the offering before deducting placement agent fees and other offering expenses payable by the Company.

The Company derecognized the contingent forward contract liability representing the firm commitment for the second closing on April 7, 2025, the date of the second closing. The Company determined the fair value of the contingent forward contract liability to be $4,399,054 immediately prior to the second closing. For the three and six months ended June 30, 2025, the Company recorded a gain of $789,588 and $899,080, respectively, from the change in fair value of the contingent forward contract, which is included in “Other (expense) income, net” in the condensed consolidated statements of operations.

The Series A warrants and Series B warrants did not meet the requirements for equity classification due to certain settlement provisions that fail the indexation guidance in ASC 815-40. As a result, the Series A warrants and Series B warrants were recorded as a liability initially at fair value on the date of issuance and were subsequently remeasured to fair value at each balance sheet date until exercised.

During the second quarter for 2025, the Series B warrants to purchase the Company’s common stock were fully exercised in exchange for the issuance of 3,260,870 shares (652,173,983 shares prior to the April Reverse Stock Split) of the Company’s common stock and are no longer outstanding as of June 30, 2025. The Company determined the fair value of the Series B warrants to be $8,637,203 immediately prior to exercise and recorded a loss of $8,025,504 from the change in fair value of the Series B warrants, which is included in “Other (expense) income, net” in the condensed consolidated statements of operations.

On June 26, 2025, the Company and holders of Series A warrants to purchase the Company’s common stock, mutually agreed to terminate and cancel the Series A warrants for an aggregate payment of to the Series A warrant holders of

$267,391. The Company determined the fair value of the Series A warrants to be $761,851 immediately prior to exercise and recorded a gain of $494,460 from the change in fair value of the Series A warrants, which is included in “Other (expense) income, net” in the condensed consolidated statements of operations. The shares of common stock issued and sold in the second closing and upon exercise of the Series B warrants are classified as a component of permanent equity and recorded at the issuance date fair value.

Pursuant to the PAA between the Company and Roth, the Company engaged Roth to act as the Company’s exclusive placement agent in connection with the Offering. The Company agreed to pay the placement agent a cash fee of 7.5% of the gross proceeds the Company receives under the Purchase Agreement. As of June 30, 2025, the Company had incurred an aggregate of $2,128,038 in placement agent fees and related offering expenses, of which $1,136,532 were allocated to the contingent forward contract and Series A and Series B warrants and expensed in Financing Fees, and $991,506 were allocated to the shares of common stock and Pre-Funded Warrants issued and sold in the first closing of the Offering and recorded as a reduction to APIC in stockholders’ equity.

NOTE 10 – INCOME TAXES

In the preparation of the Company’s condensed consolidated financial statements, management calculates income taxes based upon the estimated effective rate applicable to operating results for the full fiscal year. This includes estimating the current tax liability as well as assessing differences resulting from different treatment of items for tax and book accounting purposes. These differences result in deferred tax assets and liabilities, which are recorded on the balance sheet. Management analyzes these assets and liabilities regularly and assesses the likelihood that deferred tax assets will be recovered from future taxable income.

The Company’s effective income tax rate was (0.1%) and 0.1% for the three months ended June 30, 2025 and 2024, respectively and (0.2%) and 0.0% for the six months ended June 30, 2025 and 2024. The effective tax rate differs from the federal tax rate of 21% due to state income taxes and changes in valuation allowances related to deferred tax assets.

On July 4, 2025, the President signed H.R. 1, the “One Big Beautiful Bill Act,” into law. The legislation includes several changes to federal tax law that generally allow for more favorable deductibility of certain business expenses beginning in 2025, including the restoration of immediate expensing of domestic R&D expenditures, reinstatement of 100% bonus depreciation, and more favorable rules for determining the limitation on business interest expense. Certain provisions will be effective for 2025, while others will be effective for tax years beginning after December 31, 2025. The Company is currently evaluating the impact on the consolidated financial statements.

NOTE 11 – SEGMENT INFORMATION

The Company’s segment structure reflects how management makes financial decisions and allocates resources. The Company manages its operations based on the combined results of the residential and commercial businesses with a geographical focus. The SUNation segment provides solar power, battery storage, and related services to customers primarily in New York and Florida. The Hawaii Energy Connection (“HEC”) segment provides the same products and services to residential and commercial customers in Hawaii. The Company’s CODM is represented by a committee that includes the Company’s CEO, CFO, and COO. The CODM regularly reviews discrete financial information for SUNation and HEC in deciding how to allocate resources and in assessing performance. Corporate and other represents the unallocated corporate business activities and corporate shared services, which support the Company’s operating segments, along with operating and other expenses related to legacy CSI assets.

During 2024 management determined that their two operating segments no longer met the criteria to be aggregated into one reportable segment due to changes in economic forecasts and the Company’s plans for integrating SUNation and HEC. As a result, management determined HEC and SUNation to be distinct reportable segments. Prior period amounts have been recast for comparative purposes to reflect this change, which had no impact on the Company’s consolidated financial position, results of operations, and cash flows. The accounting policies of the segments are the same as those applied in the consolidated financial statements as disclosed in Note 2, Summary of Significant Accounting Policies.

The CODM committee evaluates performance for both reportable segments based on segment revenue, gross profit, and operating (loss) income before income taxes. When using these metrics, the CODM committee considers forecast-to-actual variances on a quarterly basis when making decisions about the allocation of operating and capital resources to each segment. The CODM committee also uses these metrics for evaluating pricing strategy to assess the performance of each segment by comparing the results of each segment with one another and in determining the compensation of certain employees.

Summarized financial information for the Company's reportable segments are presented and reconciled to consolidated financial information in the following tables, including a reconciliation of segment earnings to income before income taxes. This reconciliation also represents the significant expense categories reviewed by the CODM.

	SUNation	HEC	Corporate and Other	Total
Three Months Ended June 30, 2025				
Sales	$ 9,820,849	$ 3,243,405	$ —	$ 13,064,254
Cost of sales	5,859,827	2,364,910	—	8,224,737
Gross profit	3,961,022	878,495	—	4,839,517
Operating expenses:				
Selling, general and administrative expenses	3,746,504	1,021,320	1,675,905	6,443,729
Amortization expense	203,125	356,250	—	559,375
Total operating expenses	3,949,629	1,377,570	1,675,905	7,003,104
Operating loss	11,393	(499,075)	(1,675,905)	(2,163,587)
Other income (expenses):				
Investment and other income	10,722	2,957	13,982	27,661
Fair value remeasurement of warrant liability	—	—	(7,531,044)	(7,531,044)
Fair value remeasurement of contingent forward contract	—	—	789,588	789,588
Fair value remeasurement of contingent value rights	—	—	6,271	6,271
Financing fees	—	—	(559,938)	(559,938)
Interest expense	(15,098)	—	(147,032)	(162,130)
Loss on debt extinguishment	—	—	—	—
Other (expense) income, net	(4,376)	2,957	(7,428,173)	(7,429,592)
Net loss before income taxes	$ 7,017	$ (496,118)	$ (9,104,078)	$ (9,593,179)
Depreciation and amortization	$ 251,048	$ 374,381	$ —	$ 625,429
Capital expenditures	$ —	$ 8,817	$ —	$ 8,817
Assets	$ 24,140,111	$ 16,935,705	$ 3,054,034	$ 44,129,850

	SUNation	HEC	Corporate and Other	Total
Three Months Ended June 30, 2024				
Sales	$ 9,731,647	$ 3,817,773	$ —	$ 13,549,420
Cost of sales	6,018,778	2,738,288	—	8,757,066
Gross profit	3,712,869	1,079,485	—	4,792,354
Operating expenses:				
Selling, general and administrative expenses	3,970,704	991,480	1,596,739	6,558,923
Amortization expense	203,125	506,250	—	709,375
Fair value remeasurement of SUNation earnout consideration	—	—	(450,000)	(450,000)
Total operating expenses	4,173,829	1,497,730	1,146,739	6,818,298
Operating loss	(460,960)	(418,245)	(1,146,739)	(2,025,944)
Other income (expenses):				
Investment and other income	5,115	3,644	18,566	27,325
Fair value remeasurement of warrant liability	—	—	(3,267,571)	(3,267,571)
Fair value remeasurement of embedded derivative liability	—	—	(1,055,600)	(1,055,600)
Fair value remeasurement of contingent value rights	—	—	116,775	116,775
Interest expense	(15,388)	—	(720,245)	(735,633)
Other (expense) income, net	(10,273)	3,644	(4,908,075)	(4,914,704)
Net (loss) income before income taxes	$ (471,233)	$ (414,601)	$ (6,054,814)	$ (6,940,648)
Depreciation and amortization	$ 255,559	$ 530,443	$ 770	$ 786,772
Capital expenditures	$ 11,985	$ —	$ —	$ 11,985
Assets	$ 27,468,300	$ 22,786,653	$ 2,598,738	$ 52,853,691

	SUNation	HEC	Corporate and Other	Total
Six Months Ended June 30, 2025				
Sales	$ 19,365,403	$ 6,335,489	$ —	$ 25,700,892
Cost of sales	11,731,799	4,698,251	—	16,430,050
Gross profit	7,633,604	1,637,238	—	9,270,842
Operating expenses:				
Selling, general and administrative expenses	7,594,004	1,997,994	2,891,029	12,483,027
Amortization expense	406,250	712,500	—	1,118,750
Operating (loss) income	(366,650)	(1,073,256)	(2,891,029)	(4,330,935)
Other income (expenses):				
Investment and other income	18,247	10,233	47,346	75,826
Fair value remeasurement of warrant liability	—	—	(7,531,044)	(7,531,044)
Fair value remeasurement of contingent forward contract	—	—	899,080	899,080
Fair value remeasurement of contingent value rights	—	—	25,450	25,450
Financing fees	—	—	(1,136,532)	(1,136,532)
Interest expense	(30,956)	—	(702,414)	(733,370)
Loss on debt extinguishment	—	—	(343,471)	(343,471)
Other expense, net	(12,709)	10,233	(8,741,585)	(8,744,061)
Net loss before income taxes	$ (379,359)	$ (1,063,023)	$ (11,632,614)	$ (13,074,996)

Depreciation and amortization	$ 502,098	$ 750,646	$ —	$ 1,252,744
Capital expenditures	$ —	$ 8,817	$ —	$ 8,817

	SUNation	HEC	Corporate and Other	Total
Six Months Ended June 30, 2024				
Sales	$ 19,484,617	$ 7,284,000	$ —	$ 26,768,617
Cost of sales	11,820,538	5,350,277	—	17,170,815
Gross profit	7,664,079	1,933,723	—	9,597,802
Operating expenses:				
Selling, general and administrative expenses	7,843,159	1,993,532	3,351,259	13,187,950
Amortization expense	406,250	1,012,500	—	1,418,750
Fair value remeasurement of SUNation earnout consideration	—	—	(800,000)	(800,000)
Total operating expenses	8,249,409	3,006,032	2,551,259	13,806,700
Operating (loss) income	(585,330)	(1,072,309)	(2,551,259)	(4,208,898)
Other income (expenses):				
Investment and other income	9,772	5,451	57,943	73,166
(Loss) gain on sale of assets	—	6,118	—	6,118
Fair value remeasurement of warrant liability	—	—	461,022	461,022
Fair value remeasurement of embedded derivative liability	—	—	(1,055,600)	(1,055,600)
Fair value remeasurement of contingent value rights	—	—	492,860	492,860
Interest expense	(37,650)	—	(1,462,853)	(1,500,503)
Other expense, net	(27,878)	11,569	(1,506,628)	(1,522,937)
Net loss before income taxes	$ (613,208)	$ (1,060,740)	$ (4,057,887)	$ (5,731,835)
Depreciation and amortization	$ 526,162	$ 1,060,864	$ 1,538	$ 1,588,564
Capital expenditures	$ 11,985	$ 5,594	$ —	$ 17,579

NOTE 12 – FAIR VALUE MEASUREMENTS

The accounting guidance establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 – Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.

Level 2 – Observable inputs such as quoted prices for similar instruments and quoted prices in markets that are not active, and inputs that are directly observable or can be corroborated by observable market data. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, such as treasury securities with pricing interpolated from recent trades of similar securities, or priced with models using highly observable inputs, such as commodity options priced using observable forward prices and volatilities.

Level 3 – Significant inputs to pricing that have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation, such as the complex and subjective models and forecasts used to determine the fair value of financial instruments.

Financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2025 and December 31, 2024 are summarized below.

	June 30, 2025			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Cash equivalents:				
Money market funds	$ 1,535,022	$ —	$ —	$ 1,535,022
Subtotal	1,535,022	—	—	1,535,022
Liabilities:				
Contingent value rights	—	—	(286,630)	(286,630)
Subtotal	—	—	(286,630)	(286,630)
Total	$ 1,535,022	$ —	$ (286,630)	$ 1,248,392

	December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Cash equivalents:				
Money market funds	$ 368,138	$ —	$ —	$ 368,138
Subtotal	368,138	—	—	368,138
Current Liabilities:				
Contingent value rights	—	—	(312,080)	(312,080)
Embedded derivative liability			(82,281)	(82,281)
Earnout consideration	—	(2,500,000)	—	(2,500,000)
Subtotal	—	(2,500,000)	(394,361)	(2,894,361)
Total	$ 368,138	$ (2,500,000)	$ (394,361)	$ (2,526,223)

The following tables present reconciliations of recurring fair value measurements that use significant unobservable inputs (Level 3):

	Three Months Ended June 30, 2025			
	Contingent value rights	**Warrant liability**	**Contingent forward contract**	**Total**
March 31, 2025	$ (292,901)	$ —	$ (5,406,033)	$ (5,698,934)
Additions	—	(9,399,054)	—	(9,399,054)
Warrant exercise	—	16,662,707	—	16,662,707
Fair value adjustments	6,271	(7,531,044)	789,588	(6,735,185)
Settlement	—	267,391	4,616,445	4,883,836
June 30, 2025	$ (286,630)	$ —	$ —	$ (286,630)

	Three Months Ended June 30, 2024				
	Contingent value rights	Warrant liability	Embedded derivative liability	Earnout consideration	Total
March 31, 2024	$ (1,314,987)	$ (6,863,627)	$ —	$ (3,150,000)	$ (11,328,614)
Warrant exercise	—	324,789	—	—	324,789
Fair value adjustments	116,775	(3,267,571)	(1,055,600)	450,000	(3,756,396)
June 30, 2024	$ (1,198,212)	$ (9,806,409)	$ (1,055,600)	$ (2,700,000)	$ (14,760,221)

	Six Months Ended June 30, 2025				
	Contingent value rights	Warrant liability	Embedded derivative liability	Contingent forward contract	Total
December 31, 2024	$ (312,080)	$ —	$ (82,281)	$ —	$ (394,361)
Additions	—	(9,399,054)	—	(5,515,525)	(14,914,579)
Extinguishment of debt	—	—	82,281	—	82,281
Warrant exercise	—	16,662,707	—	—	16,662,707
Fair value adjustments	25,450	(7,531,044)	—	899,080	(6,606,514)
Settlement	—	267,391	—	4,616,445	4,883,836
June 30, 2025	$ (286,630)	$ —	$ —	$ —	$ (286,630)

	Six Months Ended June 30, 2024				
	Contingent value rights	Warrant liability	Embedded derivative liability	Earnout consideration	Total
December 31, 2023	$ (1,691,072)	$ —	$ —	$ (3,500,000)	$ (5,191,072)
Reclassification from equity	—	(10,592,220)	—	—	(10,592,220)
Warrant exercise	—	324,789		—	324,789
Fair value adjustments	492,860	461,022	(1,055,600)	800,000	698,282
June 30, 2024	$ (1,198,212)	$ (9,806,409)	$ (1,055,600)	$ (2,700,000)	$ (14,760,221)

The estimated fair value of the CVRs as of June 30, 2025 and December 31, 2024 was $286,630 and $312,080, respectively, as noted above. The Company recorded a $25,450 gain on the fair value remeasurement of the CVRs during the six months ended June 30, 2025 and a $492,860 gain on the fair value of the remeasurement of the CVRs during the six months ended June 30, 2024.

The estimated fair value of the contingent forward contract was $5,406,033 as of March 31, 2025 and as of June 30, 2025 was $0, as noted above. The estimated fair value was considered a Level 3 measurement and the fair value of the contingent forward contract is determined using a Monte Carlo simulation. As a result of the fair value remeasurement, the Company recorded a remeasurement gain of $789,588 and $899,080 in the three and six months ended June 30, 2025, respectively. See Note 9, Equity, for further information.

The estimated fair value of earnout consideration related to the acquisition of SUNation as of December 31, 2024 was $2,500,000. The Company paid $2,500,000 against the earnout consideration during the six months ended June 30, 2025 related to the first earnout period. The estimated fair value was considered a Level 2 measurement at December 31, 2024 because the earnout amounts had been established and there was no longer a reliance on unobservable inputs. The fair value was considered a Level 3 measurement at December 31, 2023 and June 30, 2024. In order to update the fair value of the earnout consideration, the Company utilized a Monte Carlo simulation, which included the following significant assumptions: the expected probability and timing of achievement of milestone events. As a result of the fair value remeasurement, the Company recorded a remeasurement gain of $450,000 and $800,000 during the three and six months ended June 30, 2024, respectively.

As noted in Note 9, the PIPE Warrants were classified as a liability during the first quarter of 2024, resulting in a $10,592,202 reclassification from equity. During the third quarter of 2024, the PIPE Warrants met equity classification requirements upon the shareholder approval of an increase in authorized outstanding shares and reclassified the fair value liability totaling $11,242,254 back to equity. As discussed in Note 9, Equity, during the second quarter of 2025, the Company issued Series A and Series B warrants. The estimated fair value is considered a Level 3 measurement and the fair value of the warrant liability is determined using a Monte Carlo simulation to model future movement of the stock price. As a result of the fair value remeasurement, the Company recorded a remeasurement loss of $7,531,044 for the three and six months ended June 30, 2025, and a loss of $3,267,571 for the three months ended June 30, 2024 and a gain of $461,022 during the six months ended June 30, 2024. All warrants had been settled as of June 30, 2025.

The estimated fair value of the embedded derivative liability was $82,281 as of December 31, 2024. As noted in Note 6, Commitments and Contingencies, the Company repaid the debt associated with the embedded derivative liabilities and the embedded derivative balance was included within the debt extinguishment. The estimated fair value is considered a Level 3 measurement and the fair value of the embedded derivative liability is determined based on a comparison of the present value of cash flows with and without the embedded derivative. This analysis includes management estimates of the likelihood of events of prepayment and default on the Decathlon, MBB and Conduit loans.

The fair value remeasurement related to the SUNation earnout was recorded within operating expenses. The other fair value remeasurements noted above were recorded within other (expense) income in the condensed consolidated statements of operations.

We record transfers between levels of the fair value hierarchy, if necessary, at the end of the reporting period. There were no transfers between levels during the six months ended June 30, 2025.

NOTE 13 – GOING CONCERN

The Company’s financial statements as of June 30, 2025 have been prepared in accordance with GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Based on the Company’s current financial position, which includes approximately $0.3 million of restricted cash, cash equivalents and investments that are restricted under the CVR agreement and cannot be used by the Company for its own working capital needs, and the Company’s forecasted future cash flows for twelve months beyond the date of issuance of these financial statements, substantial doubt exists around the Company’s ability to continue as a going concern for a reasonable period of time. As noted in Note 9, Equity, and Note 6, Commitments and Contingencies, the Company raised capital and satisfied certain outstanding debt obligations during 2025, however there remains uncertainty related to our future cash flows as it relies on the ability to generate enough cash flow from its operating segments to cover the Company’s corporate overhead costs.

In order to continue as a going concern, the Company will need additional capital resources. Management plans to raise capital through sources that may include public or private equity offerings, debt financings and/or strategic alliances. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 14 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date of this filing. We do not believe there are any material subsequent events other than those disclosed in the footnotes to these financial statements that require further disclosure.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our interim unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q ("Quarterly Report") and our audited financial statements and notes contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed with the Securities and Exchange Commission ("SEC") on April 15, 2025.

Forward-Looking Statements

This quarterly report and, from time to time, reports filed with the SEC, in press releases, and in other communications to shareholders or the investing public, may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. Words such as "may," "will," "can," "should," "would," "could," "anticipate," "expect," "plan," "seek," "believe," "are confident that," "look forward to," "predict," "estimate," "potential," "project," "target," "forecast," "see," "intend," "design," "strive," "strategy," "future," "opportunity," "assume," "guide," "position," "continue" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on current beliefs, expectations and assumptions that are subject to significant risks, uncertainties and changes in circumstances that could cause actual results to differ materially from such forward-looking statements. These risks, uncertainties and changes in circumstances include, but are not limited to:

- if our shareholders sell, or indicate an intention to sell, substantial amounts of our stock in the public market, the trading price of our common stock could decline;
- if we fail to design and implement and maintain effective internal controls over financial reporting, we may be subject to sanctions or investigations by regulatory authorities or lose investor confidence in the accuracy and completeness of our financial reports;
- if our common stock market price continues to be highly volatile, it may harm the value of the investment of our shareholders in our common stock;
- if we issue additional common stock, it may materially dilute the ownership interests of our shareholders;
- anti-takeover provisions in our organizational documents and agreements may discourage or prevent a change in control, even if a sale of the Company could be beneficial to our shareholders;
- our board of directors may establish shares of preferred stock in series and fix the designation, powers, preferences and rights of the shares of each series which may be senior to or on parity with our common stock, which may reduce its value;
- our growth strategy depends on the continued origination of solar installation agreements;
- if we fail to manage our operations and growth effectively, we may be unable to execute our business plan, maintain high levels of customer service or adequately address competitive challenges;
- we need to raise additional capital to fund our operations and repay our obligations, which funding may not be available on favorable terms or at all and may lead to substantial dilution to our existing shareholders. Further, there is substantial doubt about our ability to continue as a going concern, which conditions may adversely affect our stock price and our ability to raise capital;
- our common stock may be delisted from the Nasdaq Capital Market if we cannot maintain compliance with the applicable listing standards;
- we may face claims for monetary damages, penalties, and other significant items pursuant to existing contractual arrangements, as well as litigation or threatened litigations, which, if material, may strain our cashflow and operations, as well as take away substantial time and attention from management that is necessary to for business operations and potential growth opportunities;
- we depend on a limited number of suppliers of solar energy system components and technologies to adequately meet demand for our solar energy systems;
- increases in the cost of our solar energy systems due to tariffs and other trade restrictions imposed by the U.S. government could have a material adverse effect on our business, financial condition and results of operations;
- changes in current laws or regulations or the imposition of new laws or regulations, in the solar energy sector, by federal or state agencies in the United States, such as the passing of the One Big Beautiful Bill Act in July 2025, could impair our ability to compete and could materially harm our business, financial condition and results of operations;

- our operating results and our ability to grow may fluctuate from quarter to quarter and year to year, which could make our future performance difficult to predict and could cause our operating results for a particular period to fall below expectations;
- if we are unable to make acquisitions on economically acceptable terms, our future growth would be limited, and any acquisitions we may make could reduce, rather than increase, our cash flows;
- product liability and property damage claims against us or accidents could result in adverse publicity and potentially significant monetary damages;
- we will not be able to insure against all potential risks and we may become subject to higher insurance premiums;
- damage to our brand and reputation or change or loss of use of our brand could harm our business and results of operations;
- the loss of one or more members of our senior management or key employees may adversely affect our ability to implement our strategy;
- our inability to protect our intellectual property could adversely affect our business. We may also be subject to intellectual property rights claims by third parties, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies;
- we may be subject to interruptions or failures in our information technology systems;
- our information technology systems may be exposed to various cybersecurity risks and other disruptions that could impair our ability to operate, adversely affect our business, and damage our brand and reputation;
- our failure to hire and retain a sufficient number of key employees, such as installers and electricians, would constrain our growth and our ability to timely complete projects;
- our business is concentrated in certain markets, putting us at risk of region-specific disruptions;
- if sufficient additional demand for residential solar energy systems does not develop or takes longer to develop than we anticipate, our ability to originate solar installation agreements may decrease;
- our business prospects are dependent in part on a continuing decline in the cost of solar energy system components and our business may be adversely affected to the extent the cost of these components stabilize or increase in the future;
- we face competition from centralized electric utilities, retail electric providers, independent power producers and renewable energy companies;
- developments in technology or improvements in distributed solar energy generation and related technologies or components may materially adversely affect demand for our offerings;
- a material reduction in the retail price of electricity charged by electric utilities or other retail electricity providers could harm our business, financial condition and results of operations;
- terrorist or cyberattacks against centralized utilities could adversely affect our business;
- climate change may have long-term impacts on our business, industry, and the global economy;
- increases in the cost of our solar energy systems due to tariffs imposed by the U.S. government could have a material adverse effect on our business, financial condition and results of operations;
- we are not currently regulated as an electric public utility under applicable law, but may be subject to regulation as an electric utility in the future;
- electric utility policies and regulations, including those affecting electric rates, may present regulatory and economic barriers to the purchase and use of solar energy systems that may significantly reduce demand for our solar energy systems and adversely impact our ability to originate new solar installation agreements;
- we rely on net metering and related policies to sell solar systems to our customers in most of our current markets, and changes to policies governing net metering may significantly reduce demand for electricity from residential solar energy systems and thus for our installation services;
- a customer’s decision to procure installation services from us depends in part on the availability of rebates, tax credits and other financial incentives. The expiration, elimination or reduction of these rebates, credits or incentives or our ability to monetize them could adversely impact our business;
- technical and regulatory limitations regarding the interconnection of solar energy systems to the electrical grid may significantly delay interconnections and customer in-service dates, harming our growth rate and customer satisfaction; and
- compliance with occupational safety and health requirements and best practices can be costly, and noncompliance with such requirements may result in potentially significant monetary penalties, operational delays and adverse publicity.

Other risks and uncertainties are discussed more fully under the caption “Risk Factors” in our filings with the SEC, including in Part I, Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2024 and in Part II, Item 1A. “Risk Factors” of this Quarterly Report on Form 10-Q. Accordingly, you should not place undue reliance on forward-looking statements. To the extent permitted by applicable law, we expressly disclaim any intent or obligation to update any forward-looking statements to reflect subsequent events or circumstances.

Overview

SUNation Energy Inc. (herein referred to as “SUNation Energy,” “SUNE,” “our,” “we” or the “Company”) is a Delaware corporation, whose shares of Common Stock are listing on the Nasdaq Stock Market under its trading symbol “SUNE”.

SUNation Energy’s vision is to power the energy transition through grass-roots growth of solar electricity paired with battery storage. The Company is a domestic operator and consolidator of residential solar, battery storage, and grid services solutions. Our strategy is focused on acquiring, integrating, and growing leading local and regional solar, storage, and energy services companies nationwide.

Our current business units, Hawaii Energy Connection, LLC (“HEC”), and New York-based subsidiaries, the SUNation entities (collectively, “SUNation”). are engaged in the design, installation, and maintenance of solar energy systems across residential, commercial, and municipal sectors. Our team specializes in providing tailored solar solutions that meet the specific energy needs of each client, ensuring both efficiency and sustainability. In addition to our core solar services, we also offer energy storage systems to optimize energy use and increase reliability. Our New York business unit further integrates a broader range of services, including residential roofing solutions, to ensure seamless solar installations and long-term durability. Additionally, we provide community solar services that allow groups of individuals, businesses, or organizations to share the benefits of a single solar array, making renewable energy accessible to more people in the community.

For a more complete description of the Company, see Note 1, Nature of Operations, to the Condensed Consolidated Financial Statements included in this report.

Reverse Stock Splits

<u>June 2024 Reverse Stock Split</u>

On January 3, 2024, the Company’s shareholders approved a reverse stock split of the Company’s common stock at a ratio within a range of 1-for-2 and 1-for-15 and granted the Company’s board of directors the discretion to determine the timing and ratio of the split within such range.

On May 28, 2024, the Company’s board of directors determined to effect the reverse stock split of the common stock at a 1-for-15 ratio (the “June Reverse Stock Split”) and approved an amendment (“June Reverse Stock Split Amendment”) to the Fourth Amended and Restated Articles of Incorporation of the Company to effect the June Reverse Stock Split.

Effective June 12, 2024, the Company amended its Fourth Amended and Restated Articles of Incorporation to implement the June Reverse Stock Split. The Company's common stock began trading on a split-adjusted basis when the market opened on June 12, 2024 (the "June Effective Date").

As a result of the June Reverse Stock Split on the June Effective Date, every 15 shares of common stock then issued and outstanding automatically were combined into one share of common stock, with no change in par value per share. No fractional shares were outstanding following the June Reverse Stock Split, and any fractional shares that would have resulted from the June Reverse Stock Split were settled in cash. The number of shares of common stock outstanding was reduced from 108,546,773 to 7,235,731, with 720.901 fractional shares paid out in cash totaling $1,132. The total number of shares authorized for issuance was reduced to 7,500,000 in proportion to the June Reverse Stock Split ratio.

October 2024 Reverse Stock Split

On July 19, 2024, the Company's shareholders approved a reverse stock split of the Company's common stock at a ratio within a range of 1-for-2 and 1-for-200 and granted the Company's board of directors the discretion to determine the timing and ratio of the split within such range.

On October 1, 2024, the Company's board of directors determined to effect the reverse stock split of the common stock at a 1-for-50 ratio (the "October Reverse Stock Split") and approved an amendment ("October Reverse Stock Split Amendment") to the Fourth Amended and Restated Articles of Incorporation of the Company to effect the October Reverse Stock Split.

Effective October 17, 2024, the Company amended its Fourth Amended and Restated Articles of Incorporation to implement the October Reverse Stock Split. The Company's common stock began trading on a split-adjusted basis when the market opened on October 17, 2024 (the "October Effective Date").

As a result of the October Reverse Stock Split on the October Effective Date, every 50 shares of common stock then issued and outstanding automatically were combined into one share of common stock, with no change in par value per share. No fractional shares were outstanding following the Reverse Stock Split, and any fractional shares that would have resulted from the October Reverse Stock Split were settled in cash. The number of shares of common stock outstanding was reduced from 67,260,696 to 1,344,841, with 372.92 fractional shares payable in cash totaling $1,891. The total number of shares authorized for issuance was reduced from 133,333,333 to 2,666,667 in proportion to the October Reverse Stock Split ratio.

April 2025 Reverse Stock Split

On April 3, 2025, the Company's shareholders approved a reverse stock split of the Company's common stock at a ratio within a range of 1-for-2 and 1-for-200 and granted the Company's board of directors the discretion to determine the timing and ratio of the split within such range. Additionally, the shareholders also approved an increase in authorized shares to 1,000,000,000 shares.

On April 9, 2025, the Company's board of directors determined to effect the reverse stock split of the common stock at a 1-for-200 ratio (the "April Reverse Stock Split") and approved an amendment ("April Reverse Stock Split Amendment") to its Certificate of Incorporation to effect the April Reverse Stock Split.

Effective April 16, 2025, the Company amended its Certificate of Incorporation to implement the April Reverse Stock Split. The Company's common stock began trading on a split-adjusted basis when the market opened on April 21, 2025 (the "April Effective Date").

As a result of the April Reverse Stock Split on the April Effective Date, every 200 shares of common stock then issued and outstanding automatically were combined into one share of common stock, with no change in par value per share. No fractional shares were outstanding following the April Reverse Stock Split, and any fractional shares that would have resulted from the April Reverse Stock Split were rounded up to the nearest whole share. The number of shares of common stock outstanding was reduced from 672,799,910 to 3,406,614.

The effects of the June 2024 Reverse Stock Split, October 2024 Reverse Stock Split, and April 2025 Reverse Stock Split (collectively, the "Reverse Stock Splits") have been applied retroactively and are reflected in this Quarterly Report on Form 10-Q for all periods presented. Following each of the Reverse Stock Splits, the number of shares of common stock available for issuance under the Company's equity compensation plans were automatically reduced in proportion to the Reverse Stock Splits ratio. Upon effectiveness, the Reverse Stock Splits also resulted in reductions in the number of shares of common stock issuable upon exercise or vesting of equity awards in proportion to the Reverse Stock Splits ratios and caused a proportionate increase in exercise price or share-based performance criteria, if any, applicable to such awards.

Results of Operations

Comparison of the Three Months Ended June 30, 2025 and 2024

Consolidated Results

The following table summarizes our consolidated results for the three months ended June 30, 2025 and 2024:

	Three Months Ended June 30				Change	
	2025		2024			
	Amount	% of Sales	Amount	% of Sales	$	%
Sales	$ 13,064,254	100%	$ 13,549,420	100%	$ (485,166)	-3.6%
Cost of sales	8,224,737	63%	8,757,066	65%	(532,329)	-6.1%
Gross profit	4,839,517	37%	4,792,354	35%	47,163	1.0%
Operating expenses:						
Selling, general and administrative expenses	6,443,729	49%	6,558,923	48%	(115,194)	-1.8%
Amortization expense	559,375	4%	709,375	5%	(150,000)	-21.1%
Fair value remeasurement of SUNation earnout consideration	—	0%	(450,000)	-3%	450,000	-100.0%
Total operating expenses	7,003,104	54%	6,818,298	50%	184,806	2.7%
Operating loss from continuing operations	(2,163,587)	-17%	(2,025,944)	-15%	(137,643)	6.8%
Other (expense) income:						
Investment and other income	27,661	0%	27,325	0%	336	1.2%
(Loss) gain on sale of assets	—	0%	—	0%	—	
Fair value remeasurement of warrant liability	(7,531,044)	-58%	(3,267,571)	-24%	(4,263,473)	130.5%
Fair value remeasurement of embedded derivative liability	—	0%	(1,055,600)	-8%	1,055,600	-100.0%
Fair value remeasurement of contingent forward contract	789,588	6%	—	0%	789,588	
Fair value remeasurement of contingent value rights	6,271	0%	116,775	1%	(110,504)	-94.6%
Financing fees	(559,938)	-4%	—	0%	(559,938)	
Interest expense	(162,130)	-1%	(735,633)	-5%	573,503	-78.0%
Loss on debt extinguishment	—	0%	—	0%	—	
Other expense, net	(7,429,592)	-57%	(4,914,704)	-36%	(2,514,888)	51.2%
Operating loss from continuing operations before income taxes	(9,593,179)	-73%	(6,940,648)	-51%	(2,652,531)	38.2%
Income tax expense	14,236	0%	(6,633)	0%	20,869	-314.6%
Net loss	$ (9,607,415)	-74%	$ (6,934,015)	-51%	$ (2,673,400)	38.6%

Consolidated sales decreased $485,166, or 3.6% to $13,064,254 in the second quarter of 2025 from $13,549,420 in the second quarter of 2024, with a 12% decline within residential contract revenue, partially offset by a 193% increase in commercial revenue. On a consolidated basis, while overall kilowatts installed on residential projects decreased 11% in the second quarter of 2025 from the second quarter of 2024, overall price per watt remained consistent and revenue per install increased 5%.

Consolidated gross profit increased to $4,839,517 in the second quarter of 2025 as compared to gross profit of $4,792,354 in the second quarter of 2024 due primarily to an improvement in residential margins during the second quarter of 2025. Gross margin increased to 37% during the second quarter of 2025 as compared to 35% in the second quarter of 2024.

Consolidated operating expenses increased 3% to $7,003,104 in the second quarter of 2025 as compared to $6,818,298 in the second quarter of 2024. Consolidated selling, general and administrative expenses decreased $115,194, or 2%, to $6,443,729 in the second quarter of 2025 from $6,558,923 in the second quarter of 2024, due primarily to a decrease in personnel expenses on lower headcount and a decrease in selling expenses on lower revenue, partially offset by $512,821 in compensation expense related to the new earnout liability as discussed in Note 6, Commitments and Contingencies. Amortization expense decreased by $150,000 to $559,375 in the second quarter of 2025 as compared to $709,375 in the same period of the prior year due to the write down of the technology intangible asset at HEC at December 31, 2024, resulting in lower amortization expense in the current year.

Consolidated other expense increased by $2,514,888 to expense of $7,429,592 in the second quarter of 2025 as compared to $4,914,704 in the second quarter of 2024. The decrease was primarily related to a $4,263,473 increase in the fair value remeasurement loss on the warrant liability, a $110,504 decrease in fair value remeasurement loss on the contingent value rights ("CVRs"), and $559,939 in financing fees on the issuance of Series A and Series B warrants, partially offset by a $1,055,600 decrease in fair value remeasurement loss on the embedded derivative liability, a $573,503 decrease in interest expense, and a $789,588 increase in fair value remeasurement gain on the contingent forward contract.

Consolidated operating loss in the second quarter of 2025 was $2,163,587 as compared to $2,025,944 in the second quarter of 2024. Net loss in the second quarter of 2025 was $9,607,415, or $(3.14) per diluted share, compared to net loss of $6,934,015, or $(11,022.91) per diluted share, in the second quarter of 2024.

SUNation Operating Results

SUNation revenue increased 1% or $89,202, to $9,820,849 in the second quarter of 2025 as compared to $9,731,647 in second quarter of 2024. Revenue in the second quarters of 2025 and 2024 by type were as follows:

	Revenue by Type	
	Three Months Ended June 30	
	2025	2024
Residential contracts	$ 8,016,690	$ 8,484,744
Commercial contracts	1,261,992	492,202
Service revenue	542,167	754,701
	$ 9,820,849	$ 9,731,647

Residential contract revenue decreased $468,054, or 6%, despite a 5% increase in residential kilowatts installed and a 1% increase in average revenue per system installed, due to a 5% decrease in number of systems installed. Commercial contract revenue increased $769,790, or 156%, due to timing of commercial projects where the prior year had some larger projects from 2024 carry into 2025 and there were delays in the prior year in the start of commercial pipeline projects into the second half of 2024. Service revenue decreased $212,534, or 28%, due to lower battery installations and third-party referral service jobs.

Gross profit increased 7% to $3,961,022 in the second quarter of 2025 as compared to gross profit of $3,712,869 in the second quarter of 2024 due primarily to the increase in revenue and additional increase in gross margin. Gross margin increased to 40.3% in 2025 compared to 38.2% in 2024 due primarily to higher commercial revenue gross margins due to higher revenue to cover fixed overhead costs and higher residential margins due to lower job material costs as a percentage of revenue.

Selling, general and administrative expenses decreased slightly to $3,746,504 in 2025 (38% as a percentage of sales) as compared to $3,970,704 in 2024 (41% as a percentage of sales), due primarily to a decrease in personnel costs on lower headcount and a decrease in selling expenses on lower residential contract revenue. Amortization expense remained flat at $203,125 in 2025 as compared to 2024.

HEC Operating Results

HEC sales decreased 15% or $574,368, to $3,243,405 in the second quarter of 2025 as compared to $3,817,773 in the second quarter of 2024. Sales in 2025 and 2024 by type were as follows:

	Revenue by Type	
	Three Months Ended June 30	
	2025	2024
Residential contracts	$ 2,727,495	$ 3,665,952
Commercial contracts	139,319	(13,143)
Service revenue	376,591	164,964
	$ 3,243,405	$ 3,817,773

Residential contract sales decreased $938,457, or 26%, due to a 31% decrease in kilowatts installed and a 8% decrease in battery capacity installed, which was partially offset by a 9% increase in average revenue per system installed due to implemented price increases during the quarter. In the first half of 2024, the Battery Bonus program in Hawaii ended. Under this program, customers were paid a cash incentive and provided energy bill credits to add energy storage to an existing or new rooftop solar system. Service revenue increased $211,627, or 128%, due to an increase in repair and replacement installations.

Gross profit decreased 19% to $878,495 in the second quarter of 2025 as compared to gross profit of $1,079,485 in the second quarter of 2024 due primarily to the decrease in revenue. Gross margin decreased slightly to 27.1% in the second quarter of 2025 compared to 28.3% in the second quarter of 2024.

Selling, general and administrative expenses increased 3% to $1,021,320 in the second quarter of 2025 (31% as a percentage of sales) as compared to $991,480 in the second quarter of 2024 (26% as a percentage of sales), due primarily to an increase in personnel expenses on additional headcount.

Comparison of the Six Months Ended June 30, 2025 and 2024

Consolidated Results

The following table summarizes our consolidated results for the six months ended June 30, 2025 and 2024:

	Six Months Ended June 30					
	2025		2024		Change	
	Amount	% of Sales	Amount	% of Sales	$	%
Sales	$ 25,700,892	100%	$ 26,768,617	100%	$ (1,067,725)	-4.0%
Cost of sales	16,430,050	64%	17,170,815	64%	(740,765)	-4.3%
Gross profit	9,270,842	36%	9,597,802	36%	(326,960)	-3.4%
Operating expenses:						
Selling, general and administrative expenses	12,483,027	49%	13,187,950	49%	(704,923)	-5.3%
Amortization expense	1,118,750	4%	1,418,750	5%	(300,000)	-21.1%
Fair value remeasurement of SUNation earnout consideration	—	0%	(800,000)	-3%	800,000	-100.0%
Total operating expenses	13,601,777	53%	13,806,700	52%	(204,923)	-1.5%
Operating loss from continuing operations	(4,330,935)	-17%	(4,208,898)	-16%	(122,037)	2.9%
Other (expense) income:						
Investment and other income	75,826	0%	73,166	0%	2,660	3.6%

(Loss) gain on sale of assets	—	0%	6,118	0%	(6,118)	-100.0%
Fair value remeasurement of warrant liability	(7,531,044)	-29%	461,022	2%	(7,992,066)	-1733.6%
Fair value remeasurement of embedded derivative liability	—	0%	(1,055,600)	-4%	1,055,600	-100.0%
Fair value remeasurement of contingent forward contract	899,080	3%	—	0%	899,080	
Fair value remeasurement of contingent value rights	25,450	0%	492,860	2%	(467,410)	-94.8%
Financing fees	(1,136,532)	-4%	—	0%	(1,136,532)	
Interest expense	(733,370)	-3%	(1,500,503)	-6%	767,133	-51.1%
Loss on debt extinguishment	(343,471)	-1%	—	0%	(343,471)	
Other expense, net	(8,744,061)	-34%	(1,522,937)	-6%	(7,221,124)	474.2%
Operating loss from continuing operations before income taxes	(13,074,996)	-51%	(5,731,835)	-21%	(7,343,161)	128.1%
Income tax expense	28,851	0%	(471)	0%	29,322	-6225.5%
Net loss	$ (13,103,847)	-51%	$ (5,731,364)	-21%	$ (7,372,483)	128.6%

Consolidated sales decreased $1,067,725, or 4.0% to $25,700,892 in the first six months of 2025 from $26,768,617 in the first six months of 2024, with declines primarily within the residential contract and service revenue streams, partially offset by increased commercial contract revenue. On a consolidated basis, the decline in residential contract revenue during the first six months of 2025 as compared to the same period of 2024 is due to a 2% decrease on kilowatts installed and a 7% decrease in price per watt installed due to lower battery kilowatts installed within HEC.

Consolidated gross profit decreased to $9,270,842 in the first six months of 2025 as compared to gross profit of $9,597,802 in the first six months of 2024 due primarily to the decrease in revenue during the year. Gross margin remained flat at 36% during the first six months of 2025 as compared to the first six months of 2024.

Consolidated operating expenses decreased 1% to $13,601,777 in the first six months of 2025 as compared to $13,806,700 in the first six months of 2024. Consolidated selling, general and administrative expenses decreased $704,923, or 5%, to $12,483,027 in the first six months of 2025 from $13,187,950 in the first six months of 2024, due primarily to a decrease in personnel expenses on lower headcount and a decrease in corporate costs including stock compensation expense and legal and other professional fees, partially offset by $512,821 in compensation expense related to the new earnout liability as discussed in Note 6, Commitments and Contingencies. Amortization expense decreased by $300,000 to $1,118,750 in the first six months of 2025 as compared to $1,418,750 in the same period of the prior year due to the write down of the technology intangible asset at HEC at December 31, 2024, resulting in lower amortization expense in the current year.

Consolidated other expense increased by $7,221,124 to $8,744,061 in the first six months of 2025 as compared to $1,522,937 in the first six months of 2024. The increase was primarily related to a $7,992,066 increase in the fair value remeasurement on the warrant liability, a $467,410 decrease in fair value remeasurement gain on the contingent value rights (“CVRs”), a $343,471 loss on debt extinguishment, and $1,136,532 in financing fees on the issuance of the contingent forward contract and issuance of Series A and Series B warrants, partially offset by a $1,055,600 decrease in fair value remeasurement loss on the embedded derivative liability, a $899,080 increase in fair value remeasurement gain on the contingent forward contract, and a $767,133 decrease in interest expense.

Consolidated operating loss in the first six months of 2025 was $4,330,935 as compared to $4,208,898 in the first six months of 2024. Net loss in the first six months of 2025 was $13,103,847, or $(8.42) per diluted share, compared to net loss attributable to shareholders (after taking into effect $11,322,639 in deemed dividends) of $17,054,003, or $(38,216.49) per diluted share, in the first six months of 2024.

SUNation Operating Results

SUNation revenue decreased 1% or $119,214, to $19,365,403 in the first six months of 2025 as compared to $19,484,617 in first six months of 2024. Revenue in the first six months of 2025 and 2024 by type were as follows:

	Revenue by Type	
	Six Months Ended June 30	
	2025	2024
Residential contracts	$ 15,912,812	$ 16,616,452
Commercial contracts	2,537,880	1,489,395
Service revenue	914,711	1,378,770
	$ 19,365,403	$ 19,484,617

Residential contract revenue decreased $703,640, or 4%, despite a 1% increase in residential kilowatts installed and a 1% increase in average price per system installed, due to a 6% decrease in number of systems installed. Commercial contract revenue increased $1,048,485, or 70%, due timing of commercial projects where the prior year had some larger projects from 2024 carry into 2025 and there were delays in the prior year in the start of commercial pipeline projects into the second half of 2024. Service revenue decreased $464,059, or 34%, due to lower battery installations and third-party referral service jobs.

Gross profit decreased slightly to $7,633,604 in 2025 as compared to gross profit of $7,664,079 in 2024 due primarily to the decrease in revenue. Gross margin remained stable at 39.4% in 2025 compared to 39.3% in 2024.

Selling, general and administrative expenses decreased 3% to $7,594,004 in 2025 (39% as a percentage of sales) as compared to $7,843,159 in 2024 (40% as a percentage of sales), due primarily to a decrease in personnel costs on lower headcount. Amortization expense remained flat at $406,250 in 2025 as compared to 2024.

HEC Operating Results

HEC sales decreased 13% or $948,511, to $6,335,489 in the first six months of 2025 as compared to $7,284,000 in the first six months of 2024. Sales in 2025 and 2024 by type were as follows:

	Revenue by Type	
	Six Months Ended June 30	
	2025	2024
Residential contracts	$ 5,466,295	$ 6,893,831
Commercial contracts	139,319	(13,143)
Service revenue	729,875	403,312
	$ 6,335,489	$ 7,284,000

Residential contract sales decreased $1,427,537, or 21%, due to a 22% decrease in battery capacity installed and a 12% decrease in kilowatts installed. In the first half of 2024, the Battery Bonus program in Hawaii ended. Under this program, customers were paid a cash incentive and provided energy bill credits to add energy storage to an existing or new rooftop solar system. Service revenue increased $326,563, or 81%, due to an increase in repair and replacement installations.

Gross profit decreased 15% to $1,637,238 in the first six months of 2025 as compared to gross profit of $1,933,723 in the first six months of 2024 due primarily to the decrease in revenue. Gross margin decreased slightly to 25.8% in the first six months of 2025 compared to 26.5% in the first six months of 2024.

Selling, general and administrative expenses remained flat at $1,997,994 in the first six months of 2025 (32% as a percentage of sales) as compared to $1,993,532 in the first six months of 2024 (27% as a percentage of sales.

Liquidity and Capital Resources

As of June 30, 2025, the Company had $3,473,387 in cash, restricted cash and cash equivalents. Of this amount, $1,535,022 was invested in short-term money market funds that are not considered to be bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency. These money market funds seek to preserve the value of the investment at $1.00 per share; however, it is possible to lose money investing in these funds. The remainder in cash and cash equivalents is operating cash.

Of the amounts of cash, restricted cash and cash equivalents on the balance sheet at June 30, 2025, $286,630 consisted of funds that can only be used to support the legacy CSI business, will be distributed to CVR holders and cannot be used to support the working capital needs of the SUNation Energy business.

The Company had working capital deficit of $(1,850,380) at June 30, 2025, consisting of current assets of $10,951,412 and current liabilities of $12,801,792 compared to working capital deficit of $(16,051,658) at December 31, 2024.

Cash used in operating activities was $3,533,533 in the first six months of 2025 as compared to $3,425,726 in the same period of 2024. The increase in negative cash flow from operations is primarily driven by the increase in the net loss and an increase in payments against accounts payable. Significant working capital changes in the six months ended June 30, 2025 included a decrease of accounts receivable of $1,601,897, a decrease in accounts payable of $489,960, and a decrease in accrued interest of $634,467.

Net cash used in investing activities was $8,817 in the first six months of 2025 compared to $11,461 used in investing activities in the same period of 2024 primarily related to capital expenditures.

Net cash provided by financing activities was $5,864,389 in the first six months of 2025 compared to $172,899 in the same period of 2024. Net cash provided by financing activities in the first six months of 2025 was due to $17,871,964 in net proceeds from the issuance of common stock under a registered direct offering and $351,372 in proceeds from the issuance of common stock under the at-the-market offering, partially offset by $9,552,943 in payments against loans payable, $2,500,000 in payments of contingent consideration, and $267,391 in payments for the termination of warrants. Net cash provided by financing activities in the first six months of 2024 was due to $918,988 in net proceeds from the issuance of common stock under a registered direct offering, partially offset by payments against loans payable.

In connection with the SUNation acquisition, on November 9, 2022, the Company issued a $5,486,000 Long-Term Promissory Note (the "Long-Term Note"). The Long-Term Note was unsecured and matured on November 9, 2025. It carried an annual interest rate of 4% until the first anniversary of issuance, then 8% thereafter until the Long-Term Note was paid in full. The Company was required to make a principal payment of $2.74 million on the second anniversary of the Long-Term Note. The Long-Term Note may be prepaid at our option at any time without penalty. On April 10, 2025, the Long-Term Note was amended and restated whereby the principal amount of $5,486,000 previously due and payable under the original Long-Term Note, together with all accrued and unpaid interest owing thereunder, shall be due and payable on May 1, 2028, and such amended note shall become a senior secured instrument. Principal and interest payments under the amended Long-Term Note are payable monthly on the first day of each month commencing on June 1, 2025 for thirty-six consecutive months thereafter. Additionally, pursuant to the terms of that certain Senior Secured Contingent Note Instrument, entered into on April 10, 2025, the unearned 2024 earnout was rescheduled and is based on the earnout terms set forth therein pursuant to the financial conditions and terms covering each of fiscal years 2024 and 2025 and, if attained, shall be payable in fiscal year 2026, which payment is further conditioned on the continued employment of the note holders at the time of such earnout payment trigger date.

Based on the Company's current financial position, which includes approximately $0.3 million of restricted cash, cash equivalents and investments that are restricted under the CVR agreement and cannot be used by the Company for its own working capital needs, and the Company's forecasted future cash flows for twelve months beyond the date of issuance of these financial statements, substantial doubt exists around the Company's ability to continue as a going concern for a reasonable period of time. As noted in Notes 6, 9 and 14, the Company raised capital and satisfied certain outstanding debt obligations during 2025, however there remains uncertainty related to our future cash flows as it relies on the ability to generate enough cash flow from its operating segments to cover the Company's corporate overhead costs.

As a result, the Company requires additional funding and seeks to raise capital through sources that may include public or private equity offerings, debt financings and/or strategic alliances. On February 27, 2025, the Company entered into a securities purchase agreement with certain institutional investors for the purchase and sale of an aggregate of $20.0 million in securities, with $15.0 million in gross proceeds in the first closing on February 27, 2025 and $5.0 million in gross proceeds in the second closing on April 7, 2025. While the Company was able to use the proceeds to pay off approximately $12.6 million in outstanding debt and contingent liability obligations, it was not sufficient to cover all of the Company's current and future obligations. Additional funding may not be available on terms acceptable to the Company, or at all. If the Company is unable to raise additional funds, it would have a negative impact on the Company's business, results of operations and financial condition. To the extent that additional funds are raised through the sale of equity or securities convertible into or exercisable for equity securities, the issuance of securities will result in dilution to the Company's shareholders.

Contingent Value Rights and Impact on Cash

The Company issued CVRs prior to the Closing to CSI shareholders of record on the close of business on March 25, 2022. The CVR entitles the holder to a portion of the cash, cash equivalents, investments and net proceeds of any divestiture, assignment, or other disposition of all legacy assets of CSI and/or its legacy subsidiaries, JDL and Ecessa, that are related to CSI's pre-merger business, assets, and properties that occur during the 24-month period following the Closing. The CVR liability as of June 30, 2025 was estimated at $286,630 and represented the estimated fair value as of that date of the legacy CSI assets to be distributed to CVR holders as of that date. This amount is recorded as a current liability that includes the remaining restricted cash and cash equivalents. The proceeds from CSI's pre-merger business working capital and related long-term assets and liabilities are not available to fund the working capital needs of the post-merger company.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Generally, we base our estimates on historical experience and on various other assumptions in accordance with GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates and such differences could be material to our financial position and results of operations. Critical accounting estimates are those that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition and results of operations. For additional information, please see the discussion of our critical accounting estimates in our Annual Report on Form 10-K for the year ended December 31, 2024. There have been no changes to our critical accounting estimates as described in our Annual Report on Form 10-K for the year ended December 31, 2024.

Recently Issued Accounting Pronouncements

Recently issued accounting standards and their estimated effect on the Company's condensed consolidated financial statements are also described in Note 2, Summary of Significant Accounting Policies, to the Condensed Consolidated Financial Statements included in this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the disclosure controls and procedures, as defined in Rules 13a-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were not effective because of material weaknesses in the Company's internal control over financial reporting described below.

Material Weakness in Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of the Company's management, including the CEO and CFO, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2024, based on *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "Framework"). Based on that evaluation, management concluded that the Company's internal control over financial reporting was not effective as of December 31, 2024, due to material weaknesses in the Company's internal control over financial reporting. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We identified material weaknesses in our internal control over financial reporting due to our limited accounting and finance resources, which resulted in inappropriate preparation, review and maintenance of documentation and information that is critical to the design and consistent execution of internal controls. These material weaknesses could result in a misstatement of account balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected.

Remediation Plan

To address the material weaknesses in our internal control over financial reporting, the Company is in the process of formalizing a remediation plan that will address our limited resources and also includes implementing a new Enterprise Resource Planning ("ERP") system which provides the necessary control environment to help mitigate the potential for misstatements in financial reporting, including but not limited to segregation of duties, user permission and access controls, and automated processes. While we believe that these efforts will improve our internal control over financial reporting, the design and implementation of our remediation is ongoing and will require validation and testing of the design and operating effectiveness of our internal controls over a sustained period of time. We will not be able to conclude whether the steps we are taking will fully remediate the material weaknesses in our internal control over financial reporting until we have completed our remediation efforts and subsequent evaluation of their effectiveness. Until these weaknesses are remediated, we plan to continue to perform additional analyses and other procedures to ensure that our consolidated financial statements are prepared in accordance with U.S. GAAP.

Inherent Limitations on Control Systems

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, will be or have been detected. These inherent limitations include the realities that judgments in decision making can by faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that occurred during the three months ended June 30, 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As reported in our Annual Report on Form 10-K for the year ended December 31, 2024, we concluded that our internal control over financial reporting was not effective.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no updates to our legal proceedings previously reported on our annual report on Form 10-K, filed on April 15, 2025.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024 (the "Form 10-K"), which could materially affect our business, financial condition or future results.

There have been no material changes in the risk factors disclosed in our Form 10-K filed with the SEC on April 15, 2025, other than as set forth below.

Changes in current laws or regulations or the imposition of new laws or regulations, or new interpretations thereof, in the solar energy sector, by federal or state agencies in the United States could impair our ability to compete and could materially harm our business, financial condition and results of operations.

There has been, and will continue to be, regulatory uncertainty in the clean energy sector generally and the solar energy sector in particular. Changes in current laws or regulations, or the imposition of new laws and regulations in the United States and around the world, could materially and adversely affect our business, financial condition and results of operations. In addition, any changes to the laws and implementing regulations affecting the clean energy sector may create delays in the introduction of new products, prevent our customers from deploying our products or, in some cases, require us to redesign our products.

On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act, which accelerates the phase-outs and terminations of various eligible tax credits enacted as part of the Inflation Reduction Act and places restrictions on continued receipt of tax credits by specified foreign entities and foreign influenced entities. The reduction, elimination or expiration of government incentives for, or regulations mandating the use of, as well as corporate commitments to the use of renewable energy and solar energy specifically could reduce demand for solar energy systems and harm our business, financial condition and results of operations.

Our shares will be subject to potential delisting if we do not maintain the listing requirements of the Nasdaq Capital Market.

Our shares of common stock are listed on the Nasdaq Capital Market, or Nasdaq. Nasdaq has rules for continued listing, including, without limitation, minimum market capitalization and other requirements. Failure to maintain our listing, or de-listing from Nasdaq, would make it more difficult for shareholders to dispose of our common stock and more difficult to obtain accurate price quotations on our common stock. This could have an adverse effect on the price of our common stock. Our ability to issue additional securities for financing or other purposes, or otherwise to arrange for any financing we may need in the future, may also be materially and adversely affected if our common stock is not traded on a national securities exchange. In the past, from time to time, we have received certain notices from Nasdaq of non-compliance items.

For example, as previously reported, the Company had received respective Nasdaq non-compliance letters regarding: (i) a Minimum Bid Price Deficiency notice from the Listing Qualifications Department (the "Staff") of The Nasdaq Stock Market notifying the Company that, for the 30 consecutive business day period immediately preceding April 11, 2025 deficiency letter, the Company's common stock had not maintained a minimum closing bid price of $1.00 per share (the "Minimum Bid Price Requirement") and, as a result, did not comply with Listing Rule 5550(a)(2); and (ii) the Staff's additional delisting notice pursuant to its discretionary authority under Listing Rule 5101 based on public interest concerns related to the Company's securities offering announced on February 27, 2025.

Following receipt of the April 2025 deficiency notice, the Company timely requested a hearing before the Nasdaq Hearing Panel. The hearing request automatically stayed any suspension or delisting action pending the outcome of the hearing. The Company appeared before the Nasdaq Hearing Panel on May 27, 2025 to address the above-noted compliance matters. As of the hearing date, the Company had been in Compliance with the Minimum Bid Price for not less than twenty-five (25) consecutive trading days, and has since maintained Minimum Bid Price compliance to date.

On June 10, 2025, the Company received the Nasdaq Hearing Panel's decision in which it notified the Company that it did not find the Company to be in violation of Listing Rules 5100 and 5550(a)(2), the "Public Interest Concern" and "Bid Price Rule", respectively. Accordingly, the June 10, 2025 letter further provided that the Company is deemed to be in full compliance with the applicable Nasdaq Listing Rules, and that the above-referenced matter was closed. While we are currently in compliance with Nasdaq's listing rules, there is no guarantee that we may not become subject to future non-compliance or delisting notices, any of which could have a serious negative effect on our stock price, volatility, ability to remain listed, liquidity, among other similar adverse effects on our stock and shareholders.

Changes in our business strategy or restructuring of our businesses may increase our costs or otherwise affect our businesses.

We continually review our operations with a view toward reducing our cost structure, including, but not limited to, reducing our labor cost-to-revenue ratio, improving process and system efficiencies and increasing our revenues and operating margins. Despite these efforts, we have needed and may continue to need to adjust our business strategies to meet these changes, or we may otherwise find it necessary to restructure our operations or particular businesses or assets. When these changes or events occur, we may incur costs to change our business strategy and may need to write down the value of assets or sell certain assets. Additionally, any of these events could result in disruptions or adversely impact our relationships with our workforce, suppliers and customers. In any of these events our costs may increase, and we may have significant charges or losses associated with the write-down or divestiture of assets and our business may be materially and adversely affected.

We may not fully realize the anticipated benefits from our restructuring or diversification efforts.

In regard to our realigned strategy and continued exploration of strategic alternatives, we may not achieve the expected benefits of such activities. Our ability to achieve the anticipated cost savings and other benefits from our restructuring, or other strategic diversification or expansion efforts within expected time frames is subject to many estimates and assumptions, and may vary materially based on factors such as market conditions and the effect of our efforts on our work force. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. There can be no assurance that we will fully realize the anticipated positive impacts to our operations, liquidity or future financial results from our current or future cost saving, expansion or business diversification efforts. If our estimates and assumptions are incorrect or if other unforeseen events occur, we may not achieve the cost savings, increased margins, diversification or expected revenues from such strategic alternative efforts, and our business and results of operations could be adversely affected.

We need to obtain substantial additional financing arrangements to provide working capital and growth capital. If financing is not available to us on acceptable terms when needed, our ability to continue to fund our operations and grow our business would be materially adversely impacted.

Distributed solar power is a capital-intensive business that relies heavily on the availability of debt and equity financing sources to fund solar energy system purchase, design, engineering and other capital and operational expenditures. Our future success depends in part on our ability to raise capital from third-party investors and commercial sources, such as banks and other lenders, on competitive terms to help finance the deployment of our solar energy systems. We seek to minimize our cost of capital in order to improve profitability and maintain the price competitiveness of the electricity produced by the payments for and the cost of our solar energy systems; however, as a result of the passage of the One Big Beautiful Bill Act, which was passed in congress and signed into law in July 2025, we will be required to seek new sources of funding and financing, the affects and results of which are too early to fully ascertain, adding additional complexity to our operating and finance costs, in addition to the loss of certain tax credits to our residential customers, the latter of which is not yet in effect, and therefore, not fully determinable, adding further uncertainty to certain of our operational costs. These changes could materially impact our finance costs, timing and ultimately our operations. We rely on access to capital, including through equity financing, convertible notes, revenue loans and other forms of debt facilities, asset-backed securities and loan-backed securities, to cover the costs related to bringing our solar energy systems in service.

To meet the capital and liquidity needs of our business, we will need to obtain additional debt or equity financing from current and new investors. We have limited cash resources with which to operate our business and we may have difficulty in accessing financing on a timely basis or at all. The contract terms in certain of our existing investment and securities documents contain various conditions, penalty and liquidated damages clauses. If we are not able to satisfy such conditions due to events related to our business, a specific investment fund, developments in our industry, including tax or regulatory changes, or otherwise, and as a result, we are unable to draw on existing funding commitments or raise capital through equity, equity derivative or debt instruments, we could experience a material adverse effect on our business, liquidity, financial condition, results of operations and prospects. Any delays in accessing financing could have an adverse effect on our ability to pay our operational expenses, make capital expenditures, repay loans and fund other general corporate purposes. Further, our flexibility in planning for and reacting to changes in our business may be limited and our vulnerability to adverse changes in general economic, industry, regulatory and competitive conditions may be increased.

If any of our previous or current debt or equity investors decide not to invest in us in the future for any reason or decide to invest at levels inadequate to support our anticipated needs or materially change the terms under which they are willing to provide future financing, we will need to identify new investors and financial institutions to provide financing and negotiate new financing terms. In addition, our ability to obtain additional financing through the asset-backed securities market, loan-backed securities market or other secured debt markets is subject to our having sufficient assets eligible for securitization as well as our ability to obtain appropriate credit ratings. If we are unable to raise additional capital in a timely manner, our ability to meet our capital needs and fund future growth and profitability may be limited.

Delays in obtaining financing could cause delays in expansion in existing markets or entering into new markets and hiring additional personnel. Any future delays in capital raising could similarly cause us to delay deployment of a substantial number of solar energy systems for which we have signed solar service agreements with customers. Our future ability to obtain additional financing depends on banks' and other financing sources' continued confidence in our business model and the renewable energy industry as a whole. It could also be impacted by the liquidity needs of such financing sources themselves. We face intense competition from a variety of other companies, technologies and financing structures for such limited investment capital. If we are unable to continue to offer a competitive investment profile, we may lose access to these funds or they may only be available to us on terms less favorable than those received by our competitors. Any inability to secure financing could lead us to cancel planned installations, potential business diversification, expansions, impair our ability to accept new customers or increase our borrowing costs, any of which could have a material adverse effect on our business, financial condition and results of operations.

Litigation brought by third parties claiming breach of contract, contractual defaults or other claims for may be costly and time consuming.

Although we may, from time to time, be involved in litigation and government proceedings, as well as contractual or financial claims arising in the course of business, we are not a party to any litigation or governmental or other proceeding that we currently believe will have a material adverse impact on our financial position, results of operations or liquidity. These claims have in the past, and may in the future, arise from a wide variety of business practices and initiatives, including current or new product releases, significant business transactions, securities offerings, convertible notes, warrants, loans, warranty or product claims, employment practices, and regulation, among other matters. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. Litigation, threatened litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact in our consolidated financial statements could occur for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

If we become involved in material litigation or a significant number of litigations, we may incur substantial expense defending these claims and the proceedings may divert the attention of management, even if we prevail. An adverse outcome could have a material adverse impact on our business, including causing us to seek protection under the bankruptcy laws, forcing us to reduce or discontinue our operations entirely, subject us to significant liabilities, allow our competitors to market competitive products without a license from us, prohibit us from marketing our products or require us to seek licenses from third parties that may not be available on commercially reasonable terms, if at all. If a judgment is entered against us, and we are unable to satisfy the judgment, a plaintiff may attempt to levy on our assets. We may be forced to sell material assets to satisfy such judgment, which may, in turn, force us to reduce or discontinue our operations.

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

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Trading Arrangements

During the three months ended June 30, 2025, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified, or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits

The following exhibits are included herewith:

31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14 and 15d-14 of the Exchange Act).
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14 and 15d-14 of the Exchange Act).
32	Certifications pursuant Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. §1350).
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy 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)

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

SUNation Energy, Inc.

By /s/ Scott Maskin
Scott Maskin
Chief Executive Officer

Date: August 15, 2025

By /s/ Kristin A. Hlavka
Kristin A. Hlavka
Chief Accounting Officer

Date: August 15, 2025

Exhibit 31.1

CERTIFICATION

I, Scott Maskin certify that:

1. I have reviewed this quarterly report on Form 10-Q of SUNation Energy, Inc.;

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

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

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on 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.

/s/ Scott Maskin
Scott Maskin
Chief Executive Officer

Date: August 15, 2025

Exhibit 31.2

CERTIFICATION

I, Kristin A. Hlavka, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SUNation Energy, Inc.;

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

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

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on 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.

/s/ Kristin A. Hlavka
Kristin A. Hlavka
Chief Accounting Officer

Date: August 15, 2025

Exhibit 32

CERTIFICATION

The undersigned certify pursuant to 18 U.S.C. § 1350, that:

(1) The accompanying Quarterly Report on Form 10-Q of SUNation Energy, Inc. (the "Company") for the period ended June 30, 2025 (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 accompanying Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

	/s/ Scott Maskin
	Scott Maskin
Date: August 15, 2025	Chief Executive Officer
	/s/ Kristin A. Hlavka
	Kristin A. Hlavka
Date: August 15, 2025	Chief Accounting Officer