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 September 30, 2026

☐ **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 November 10, 2026 6,513,108

SUNATION ENERGY, INC.

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

ASSETS

	September 30, 2026	December 31, 2025
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,787,088	$ 7,182,344
Trade accounts receivable, less allowance for credit losses of $309,503 and $308,629, respectively	4,458,181	4,239,483
Inventories	2,685,950	2,534,984
Prepaid income taxes	14,423	9,336
Related party receivables	21,145	21,412
Prepaid expenses	926,395	1,273,762
Costs and estimated earnings in excess of billings	24,101	658,177
Other current assets	693,138	554,481
TOTAL CURRENT ASSETS	11,610,421	16,473,979
PROPERTY, PLANT AND EQUIPMENT, net	829,124	1,015,528
OTHER ASSETS:		
Goodwill	12,526,336	17,443,869
Operating lease right of use asset, net	3,080,944	3,315,411
Intangible assets, net	3,404,324	9,983,333
Other assets, net	12,000	12,000
TOTAL OTHER ASSETS	19,023,604	30,754,613
TOTAL ASSETS	$ 31,463,149	$ 48,244,120
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 5,659,093	$ 7,395,318
Accrued compensation and benefits	2,584,343	1,653,994
Operating lease liability	312,609	292,240
Accrued warranty	216,879	225,318
Other accrued liabilities	871,309	973,302
Refundable customer deposits	1,622,758	1,073,284
Billings in excess of costs and estimated earnings	3,008,126	1,663,867
Current portion of loans payable	57,527	366,824
Current portion of loans payable - related party	2,624,509	1,763,424
TOTAL CURRENT LIABILITIES	16,957,153	15,407,571
LONG-TERM LIABILITIES:		
Loans payable and related interest	75,597	1,011,508
Loans payable and related interest - related party	2,219,184	3,457,864
Operating lease liability	2,920,520	3,158,478
Accrued compensation and benefits	605,312	863,693
TOTAL LONG-TERM LIABILITIES	5,820,613	8,491,543
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY		
Series D preferred stock, par value $1.00 per share; 3,000,000 shares authorized; no shares issued and outstanding, respectively	—	—
Common stock, par value $0.05 per share; 1,000,000,000 shares authorized; 6,513,108 and 3,406,616 shares issued and outstanding, respectively	325,655	170,331
Additional paid-in capital	81,401,253	77,966,554
Accumulated deficit	(73,041,525)	(53,791,879)
TOTAL STOCKHOLDERS' EQUITY	8,685,383	24,345,006
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 31,463,149	$ 48,244,120

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 September 30		Nine Months Ended September 30	
	2026	**2025**	**2026**	**2025**
Sales	$ 11,200,537	$ 18,993,636	$ 26,556,973	$ 44,694,528
Cost of sales	7,746,557	11,781,951	19,382,223	28,212,001
Gross profit	3,453,980	7,211,685	7,174,750	16,482,527
Operating expenses:				
Selling, general and administrative expenses	4,327,388	6,898,041	13,871,907	19,381,068
Amortization expense	559,375	559,375	1,678,125	1,678,125
Transaction costs	456,889	—	1,027,405	—
Goodwill impairment loss	4,917,533	—	4,917,533	—
Intangible asset impairment loss	4,900,884	—	4,900,884	—
Total operating expenses	15,162,069	7,457,416	26,395,854	21,059,193
Operating loss	(11,708,089)	(245,731)	(19,221,104)	(4,576,666)
Other income (expense):				
Investment and other income	11,816	15,173	73,953	90,999
Gain on sale of assets	32,532	—	36,232	—
Fair value remeasurement of warrant liability	—	—	—	(7,531,044)
Fair value remeasurement of contingent forward contract	—	—	—	899,080
Fair value remeasurement of contingent value rights	—	(2,318)	—	23,132
Financing fees	—	—	—	(1,136,532)
Interest expense	(162,445)	(143,420)	(454,369)	(876,790)
Gain (loss) on debt extinguishment	—	—	332,412	(343,471)
Other expense, net	(118,097)	(130,565)	(11,772)	(8,874,626)
Net loss before income taxes	(11,826,186)	(376,296)	(19,232,876)	(13,451,292)
Income tax (benefit) expense	(5,981)	16,679	16,770	45,530
Net loss	(11,820,205)	(392,975)	(19,249,646)	(13,496,822)
Basic net loss per share	$ (1.81)	$ (0.12)	$ (3.97)	$ (6.19)
Diluted net loss per share	$ (1.81)	$ (0.12)	(3.97)	(6.19)
Weighted Average Basic Shares Outstanding	6,513,108	3,406,614	4,847,683	2,180,066
Weighted Average Dilutive Shares Outstanding	6,513,108	3,406,614	4,847,683	2,180,066

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

SUNATION ENERGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

For the Nine Months Ended September 30, 2026

	Series D Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
BALANCE AT DECEMBER 31, 2025	—	$ —	3,406,616	$ 170,331	$ 77,966,554	$ (53,791,879)	$ 24,345,006
Net loss	—	—	—	—	—	(19,249,646)	(19,249,646)
Issuance of common stock under Equity Incentive Plan	—	—	2	—	—	—	—
Issuance of common stock under PIPE offering, net of issuance costs	—	—	2,390,000	119,500	2,385,518	—	2,505,018
Issuance of common stock under related party debt conversion	—	—	677,966	33,898	1,057,627	—	1,091,525
Issuance of common stock on At-the-Market sales, net of issuance costs	—	—	38,524	1,926	—	—	1,926
Share based compensation	—	—	—	—	(8,446)	—	(8,446)
BALANCE AT SEPTEMBER 30, 2026	—	$ —	6,513,108	$ 325,655	$ 81,401,253	$ (73,041,525)	$ 8,685,383

For the Three Months Ended September 30, 2026

	Series D Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
BALANCE AT JUNE 30, 2026	—	$ —	6,513,108	$ 325,655	$ 81,419,411	$ (61,221,320)	$ 20,523,746
Net loss	—	—	—	—	—	(11,820,205)	(11,820,205)
Share based compensation	—	—	—	—	(18,158)	—	(18,158)
BALANCE AT SEPTEMBER 30, 2026	—	$ —	6,513,108	$ 325,655	$ 81,401,253	$ (73,041,525)	$ 8,685,383

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

For the Nine Months Ended September 30, 2025

	Series D Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
BALANCE AT DECEMBER 31, 2024	—	$ —	9,343	$ 467	$ 51,445,995	$ (42,899,046)	$ 8,547,416
Net loss	—	—	—	—	—	(13,496,822)	(13,496,822)
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	—	—	—	—	72,175	—	72,175
BALANCE AT SEPTEMBER 30, 2025	—	$ —	3,406,614	$ 170,331	$ 77,953,503	$ (56,395,868)	$ 21,727,966

For the Three Months Ended September 30, 2025

	Series D Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
BALANCE AT JUNE 30, 2025	—	$ —	3,406,614	$ 170,331	$ 77,934,604	$ (56,002,893)	$ 22,102,042
Net loss	—	—	—	—	—	(392,975)	(392,975)
Share based compensation	—	—	—	—	18,899	—	18,899
BALANCE AT SEPTEMBER 30, 2025	—	$ —	3,406,614	$ 170,331	$ 77,953,503	$ (56,395,868)	$ 21,727,966

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

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

	Nine Months Ended September 30	
	2026	**2025**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (19,249,646)	$ (13,496,822)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,867,029	1,880,793
Share based compensation	(8,446)	72,175
Goodwill impairment loss	4,917,533	—
Intangible asset impairment loss	4,900,884	—
Credit loss provision	874	40,046
Provision to write down inventories to net realizable value	(18,410)	62,107
Amortization of right of use asset	234,467	295,290
Fair value remeasurement of warrant liability	—	7,531,044
Fair value remeasurement of contingent forward contract	—	(899,080)
Fair value remeasurement of contingent value rights	—	(23,132)
(Gain) loss on extinguishment of debt	(332,412)	343,471
Gain on sale of assets	(36,232)	—
Interest and accretion expense	47,811	269,909
Changes in assets and liabilities:		
Trade and related party accounts receivables	(219,306)	(81,531)
Inventories	(132,557)	(362,615)
Prepaid income taxes	(5,087)	(18,532)
Other assets	842,786	(1,145,270)
Accounts payable	(1,736,227)	395,280
Accrued compensation and benefits	671,968	802,213
Customer deposits	549,474	2,461,077
Other accrued liabilities	1,016,239	1,404,821
Accrued interest	148,837	(677,582)
Net cash used in operating activities	(6,540,421)	(1,146,338)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,500)	(17,787)
Proceeds from the sale of property, plant and equipment	36,232	—
Net cash provided by (used in) investing activities	33,732	(17,787)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings against related party working capital line of credit	800,000	—
Proceeds from loans payable	—	64,744
Payments against loans payable	(912,786)	(8,609,793)
Payments against related party loans payable	(282,726)	(1,155,967)
Payments related to debt issuance costs	—	(38,613)
Payments related to equity issuance costs	(254,359)	(2,128,038)
Proceeds from the issuance of common stock under PIPE offering	2,700,700	—
Proceeds from the issuance of common stock and pre-funded warrants under registered direct offering	—	9,690,790
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	60,604	351,372
Payments for the termination of Series A warrants	—	(267,391)
Payment of contingent consideration related to acquisition	—	(2,500,000)
Net cash provided by financing activities	2,111,433	5,716,316
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(4,395,256)	4,552,191
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	7,182,344	1,151,348

CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	$ 2,787,088	$ 5,703,539
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income taxes paid	$ 21,857	$ 64,062
Interest paid	124,989	1,270,163
NONCASH FINANCING AND INVESTING ACTIVITIES:		
Conversion of related party debt to equity	1,091,525	—
Issuance of common stock for the settlement of loss contingencies	—	880,756

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 listed 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 NY") 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.

On April 9, 2026, the Company announced that its Board of Directors had authorized the review of a full range of strategic alternatives aimed at increasing shareholder value and best positioning the Company for long-term success. In connection with the strategic review, the Company has engaged Maxim Group, LLC to serve as its M&A and financial advisor to assist in this strategic process. The review included the consideration of a broad spectrum of possible actions, including, but not limited to, a potential sale of the Company, strategic merger or other business combinations, acquisitions, divestitures of assets, further optimization of the corporate structure, or other strategic or financial transactions that could enhance shareholder value and further optimize capital resources.

On June 5, 2026, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with SUNation Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company (the "Merger Sub"), and Suniva, Inc., a Delaware corporation ("Suniva"), pursuant to which, among other matters, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Suniva with Suniva surviving the merger as a wholly owned subsidiary of the Company (the "Suniva Merger").

Concurrently with the execution of the Merger Agreement, certain key stockholders of the Company (solely in their respective capacities as SUNation stockholders) holding approximately 10.4% of the outstanding shares of the Company's capital stock entered into voting agreements with the Company and Suniva to vote all of their shares of the Company capital stock in favor of the adoption and approval of the Merger Agreement and the transactions contemplated thereby (the "Voting Agreements").

On September 4, 2026, the Company entered into a First Amendment to Agreement and Plan of Merger (the "Merger Amendment") with the Merger Sub and Suniva. Concurrently with the execution of the Merger Amendment, the Company and Suniva entered into a consent letter whereby, the parties consented, pursuant to Section 5.01 of the Merger Agreement, to certain actions by Suniva related to financings it has completed, including securities issuances, subject to a limitation that further issuances or committed issuances in excess of 5% of Suniva's fully-diluted shares on a pro-forma basis after the transactions that are consented to, are subject to further SUNation written consent.

The Company cannot currently set a definitive date for the completion of a strategic transaction, and there can be no assurance that the strategic transaction will result in the consummation thereof or any specific outcome; however, we currently anticipate the closing of the announced merger, assuming the satisfaction of all necessary conditions and regulatory clearances related thereto, would occur in the first quarter of 2027. Certain conditions and regulatory clearances and the timing related thereto may not be in our complete control and, therefore, the exact timeline to closing may change if or when needed.

Reverse Stock Split

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 immediately following this stock split.

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, 2025 included on the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission ("SEC") on March 23, 2026. The accompanying condensed consolidated balance sheet at December 31, 2025 has been derived from the audited balance sheet at December 31, 2025 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.

Inventories

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 $343,867 and $362,277 at September 30, 2026 and December 31, 2025, respectively.

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 fair value of a reporting unit may be below its carrying amount. The Company recognized an impairment loss of $4,349,569 and $567,964 related to the goodwill of its SUNation Residential and SUNation Commercial reporting units during the three and nine months ended September 30, 2026, respectively. See Note 5, Goodwill and Intangible Assets for further information.

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. The recoverability of long-lived assets is determined based on whether the carrying value of such assets is greater than the undiscounted future cash flows. If the fair value for the asset 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. The Company recognized an impairment loss totaling $4,900,884 related to the tradenames and trademarks intangible assets within both its HEC and SUNation NY segments for the three and nine months ended September 30, 2026, respectively. See Note 5, Goodwill and Intangible Assets for further information.

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, 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 over time under a percentage of completion method because the Company's performance enhances an asset that the customer controls as it is created or enhanced. The progress on these projects is measured following an input method, by comparing 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.

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.

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'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 nine months ended September 30, 2026 and September 30, 2025. 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 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 September 30, 2026 and 2025. Restricted stock units totaling 0 and 5 would have been excluded from the calculation of diluted earnings per share for the nine months ended September 30, 2026 and 2025, 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 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 September 2025, the FASB issued ASU 2025-06, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software", which removes all references to software development project stages and requires that an entity capitalize software costs when both (1) management has authorized and committed to funding the software project and (2) it is probable that the project will be completed and the software will be used to perform the function intended (referred to as the "probable-to-complete recognition threshold"). The ASU is effective for fiscal years beginning after December 15, 2027, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating this ASU and the impact it may have on its consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, "Interim Reporting (Topic 270): Narrow-Scope Improvements", which clarifies interim disclosure requirements by improving the navigability of the required interim disclosures and clarifying when that guidance is applicable. The standard is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating this ASU and the impact it may have on its consolidated financial statements.

Accounting Standards Adopted

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 reporting 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 adoption of this ASU did not have a material impact on our 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 adoption of this ASU did not have a material impact on our 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 September 30			
	SUNation NY		HEC	
	2026	2025	2026	2025
Residential contracts	$ 4,731,447	$ 9,919,664	$ 2,794,270	$ 5,737,702
Commercial contracts	2,634,995	2,228,443	28,223	—
Service revenue	641,224	866,844	370,378	240,983
	$ 8,007,666	$ 13,014,951	$ 3,192,871	$ 5,978,685

	Revenue by Type			
	Nine Months Ended September 30			
	SUNation NY		HEC	
	2026	2025	2026	2025
Residential contracts	$ 11,149,428	$ 25,832,477	$ 6,944,762	$ 11,203,996
Commercial contracts	5,649,666	4,766,323	204,417	139,319
Service revenue	1,737,080	1,781,554	871,620	970,859
	$ 18,536,174	$ 32,380,354	$ 8,020,799	$ 12,314,174

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

	Three Months Ended September 30			
	SUNation		HEC	
	2026	2025	2026	2025
Performance obligations satisfied at a point in time	$ 5,372,671	$ 10,786,508	$ 3,164,648	$ 5,978,685
Performance obligations satisfied over time	2,634,995	2,228,443	28,223	—
	$ 8,007,666	$ 13,014,951	$ 3,192,871	$ 5,978,685

	Nine Months Ended September 30			
	SUNation		HEC	
	2026	2025	2026	2025
Performance obligations satisfied at a point in time	$ 12,886,508	$ 27,614,031	$ 7,816,382	$ 12,174,855
Performance obligations satisfied over time	5,649,666	4,766,323	204,417	139,319
	$ 18,536,174	$ 32,380,354	$ 8,020,799	$ 12,314,174

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 $24,101, $658,177, and $560,648 at September 30, 2026, December 31, 2025, and January 1, 2025, respectively. Contract liabilities were $4,630,884, $2,737,151, and $2,314,483 at September 30, 2026, December 31, 2025, and January 1, 2025, respectively. During the three and nine months ended September 30, 2026, $363,738 and $2,481,278 within contract liabilities as of December 31, 2025 has been recognized within revenue, respectively.

NOTE 4 – CONTRACTS IN PROGRESS

Billings in excess of costs and estimated earnings as of September 30, 2026 and December 31, 2025 are as follows:

	September 30, 2026	December 31, 2025
Billings to date	$ 6,103,934	$ 3,828,333
Costs incurred on uncompleted contracts	1,518,208	1,001,817
Estimated earnings	1,577,600	1,162,649
Cost plus estimated earnings	3,095,808	2,164,466
Billings in excess of costs plus estimated earnings on uncompleted contracts	$ 3,008,126	$ 1,663,867

Costs and estimated earnings in excess of billings as of September 30, 2026 and December 31, 2025 are as follows:

	September 30, 2026	December 31, 2025
Costs incurred on uncompleted contracts	$ 423,487	$ 3,283,890
Estimated earnings	620,981	3,817,017
Total costs and estimated earnings	1,044,468	7,100,907
Billings to date	1,020,367	6,442,730
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 24,101	$ 658,177

NOTE 5 –GOODWILL AND INTANGIBLE ASSETS

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. The Company performed a quantitative assessment related to the recoverability of our goodwill for our three reporting units as a result of the material decline in our forecasted revenues and operating results as a result of the continued decline in the residential and commercial solar markets after the passage of the One Big Beautiful Bill Act in 2025.

The Company estimated the fair value of the reporting units using an equally weighted combination of an income approach and market approach. Under the income approach, the Company discounted the estimated future cash flows of each reporting unit using a rate of return commensurate with the reporting unit's risk. Under the market approach, the Company utilized the Guideline Public Company Method based on market revenue multiples of comparable publicly traded companies. The Company concluded that the fair value of the SUNation Residential and SUNation Commercial reporting units did not exceed its carrying value as of September 30, 2026 and recorded an impairment loss of $4,349,569

and $567,964, respectively, in its consolidated statement of operations for the three and nine months ended September 30, 2026.

During the preparation of the Company's condensed consolidated financial statements for the quarter ended September 30, 2026, the Company identified an error in the number of reporting units disclosed. The Company had previously presented two reporting units, HEC and SUNation NY. However, the Company determined that it met the criteria for three reporting units, breaking out the SUNation NY reporting unit into SUNation Residential and SUNation Commercial. The Company evaluated the error under ASC 250, SAB Topic 1.M and SAB Topic 1.N and concluded that the error was not material to the Company's previously issued financial statements, individually or in the aggregate. At January 1, 2025, September 30, 2025, and January 1, 2026, the Company reported the carrying amount of goodwill for reporting unit SUNation NY as $10,716,638. The Company is revising the table below to report, at January 1, 2025, September 30, 2025, and January 1, 2026, the carrying amount of goodwill for SUNation Residential and SUNation Commercial as $8,639,598 and $2,077,040, respectively.

The changes in the carrying amount of goodwill for the nine months ended September 30, 2026 and 2025 by reporting unit are as follows:

	HEC	SUNation Residential	SUNation Commercial	Total
January 1, 2025	$ 6,727,231	$ 8,639,598	$ 2,077,040	$ 17,443,869
September 30, 2025	6,727,231	8,639,598	2,077,040	17,443,869
January 1, 2026	$ 6,727,231	$ 8,639,598	$ 2,077,040	$ 17,443,869
Impairment loss	—	(4,349,569)	(567,964)	(4,917,533)
September 30, 2026	$ 6,727,231	$ 4,290,029	$ 1,509,076	$ 12,526,336
Gross goodwill	9,829,212	8,639,598	2,077,040	20,545,850
Accumulated impairment loss	(3,101,981)	(4,349,569)	(567,964)	(8,019,514)
Balance at September 30, 2026	$ 6,727,231	$ 4,290,029	$ 1,509,076	$ 12,526,336

As a result of the implications of the decline market and operating conditions as noted above, the Company performed an impairment test on the tradenames and trademarks intangible assets associated with the three reporting units as of September 30, 2026. The Company calculated the undiscounted cash flows associated with the asset groups and compared that to the carrying value of the asset groups. As the asset groups did not meet the recoverability test, the Company calculated the fair value of the tradenames and trademarks intangible assets, compared it to the carrying value of the intangible assets and recorded an impairment charge for the difference. The Company recognized an impairment charge of $3,183,176, $1,574,583 and $143,125 on the intangible assets associated with the HEC, SUNation Residential and SUNation Commercial reporting units, respectively, during the three and nine months ended September 30, 2026.

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

		September 30, 2026			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Impairment loss	Net
Tradenames & trademarks	8 years	$ 17,900,000	$ (9,594,792)	$ (4,900,884)	$ 3,404,324
Developed technology	4 years	2,400,000	(1,650,000)	(750,000)	—
		$ 20,300,000	$ (11,244,792)	$ (5,650,884)	$ 3,404,324

		December 31, 2025			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Impairment loss	Net
Tradenames & trademarks	8 years	$ 17,900,000	$ (7,916,667)	$ —	$ 9,983,333
Developed technology	4 years	2,400,000	(1,650,000)	(750,000)	—
		$ 20,300,000	$ (9,566,667)	$ (750,000)	$ 9,983,333

Amortization expense on these identifiable intangible assets was $559,375 during each of the three months ended September 30, 2026 and 2025, respectively and $1,678,125 during each of the nine months ended September 30, 2026 and 2025, 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:	
Q4 2026	$ 226,840
2027	907,358
2028	907,358
2029	907,358
2030	455,410
Total	$ 3,404,324

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 was set to mature on April 15, 2026; however, on April 14, 2026, the Board of Directors of the Company agreed to amend the Line of Credit Agreement and the Line of Credit Note to increase the Revolver to a total capacity of $1,500,000 and to extend the maturity date of the Revolver by six months to October 15, 2026. On October 15, 2026, the Board agreed to further amend the Line of Credit Note to extend the maturity date to April 15, 2027, unless sooner repaid, amended or terminated.

Borrowings, if any, under the Revolver 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 September 30, 2026, $800,000 has been drawn on the Revolver and is included within "Current portion of loans payable – related party" within the condensed consolidated balance sheets. As of September 30, 2026, 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"), which was used to acquire fixed assets, inventory, and intangible assets of Sungevity in an asset acquisition in December 2020. The Term Loan Agreement was amended various times while it was outstanding, with the latest amended on September 20, 2024.

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, in connection with the voluntarily early repayment 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.

There was no interest and accretion expense during the three months ended September 30, 2026 and 2025 and interest and accretion expense was $0 and $100,450 for nine months ended September 30, 2026 and 2025, 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. 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.

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%. 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 an early reduced aggregate remaining repayment amount of $6,229,875, which was paid on March 3, 2025, 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 had been terminated (together with other agreements and instruments related thereto), and no further monthly or other payments or remuneration of any kind was to 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.

There was no interest expense during the three months ended September 30, 2026 and 2025 and interest expense was $0 and $232,866 for the nine months ended September 30, 2026 and 2025, respectively.

SUNation NY Long-Term Note and Earnout

In connection with the SUNation NY 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. As the debt was part of the SUNation NY 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 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, following the repayment in full of the Decathlon debt.

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, became due and payable on May 1, 2028 (the "Maturity Date"), and such amended note (the "Long-Term Note") became a senior secured instrument of the Company pursuant to a pledge agreement. The total balance of the Long-Term Note on April 10, 2025, was $5,605,436 and interest accrues at 8% per annum. Principal and interest payments under the Long-Term Note are payable monthly on the first day of each month commencing June 1, 2025, for thirty-six (36) consecutive months thereafter.

On April 14, 2026, the Company's Board of Directors approved entry into a Debt Conversion Agreement (the "Conversion") providing for the conversion of up to $1,200,000 of debt payable under the Long-Term Note into shares of common stock of the Company (the "Conversion Shares") at a conversion price of $1.77 per share, reflecting a premium of approximately 10% above the closing price of the Company's common stock on the Nasdaq Stock Market on April 13, 2026 and at or above the prior five day closing bid price, in compliance with Nasdaq listing rules.

In connection with the foregoing Conversion, the Company issued an aggregate of 677,966 Conversion Shares, of which 554,712 shares were issued to Scott Maskin and 123,254 shares were issued to James Brennan, the Company's chief executive officer and chief financial officer, respectively, each of whom is an affiliate and related party of the Company.

The Company reduced the carrying amount of the Long-Term Note by the $1,091,525 fair value of the Conversion Shares (677,966 shares at $1.61 per share). Because the $1,200,000 reduction in the face amount of the Long-Term Note exceeded the fair value of the Conversion Shares issued, the Company recorded the $108,475 difference as a premium on the Long-Term Note, resulting in a net premium of $37,516 that is being amortized as a reduction of interest expense over the remaining term of the note under the effective interest method. No gain was recognized on the Conversion because the carrying amount of the Long-Term Note immediately before the Conversion was less than the total undiscounted future cash flows of the restructured note. Third-party costs incurred in connection with the Conversion were expensed as incurred.

Following the Conversion, the Long-Term Note bears interest at a stated rate of 8% per annum, has an effective interest rate of approximately 7.14%, and matures on May 1, 2028. The following represents the Long-Term Note balance as of September 30, 2026.

Outstanding principal and accrued interest	$	4,011,438
Add: unamortized premium		32,255
Balance at September 30, 2026	$	4,043,693

On April 10, 2025, the Company agreed to also 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 was accreted to $2,303,182 over the requisite service period as it was deemed earned. The Company recorded interest and accretion expense of $67,069 and $127,401 during the three and nine months ended September 30, 2026, respectively. The balance of the earnout liability at September 30, 2026 and December 31, 2025 was $2,430,582 and $1,535,454, respectively. Compensation expense related to the earnout liability totaled $0 and $491,130 for the three months ended September 30,

2026 and 2025, respectively, and $767,727 and $1,003,951 for the nine months ended September 30, 2026 and 2025, respectively and is recorded in "Selling, general and administrative expenses."

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. The loans due to Conduit were scheduled to become due on July 21, 2025 (the "Conduit Maturity Date"). The loan was amended at various points in 2024, with the last amendment occurring on September 23, 2024. These amendments increased the borrowing availability to an aggregate amount of $1,000,000.

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 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 September 30, 2026 and 2025, respectively and recorded interest expense of $0 and $33,312 during the nine months ended September 30, 2026 and 2025, 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) would satisfy the interest accrual on the loans from initial issuance to the MBB Maturity Date. All such loans were secured by a pledge of all of the Company's assets. The loans due to MBB were scheduled to become due on July 21, 2025 (the "MBB Maturity Date"). The loan was amended in 2024, with the last amendment occurring on August 16, 2024. These amendments increased the borrowing availability to an aggregate amount of $1,000,000.

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 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 September 30, 2026 and 2025, respectively and recorded interest expense of $0 and $34,900 during the nine months ended September 30, 2026 and 2025, respectively.

Equipment Loans

The Company obtains various equipment loan agreements through SUNation NY. 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 September 30, 2026 and December 31, 2025 was $133,124 and $175,370, respectively. Interest expense was $6,316 and $4,199 for the three months ended September 30, 2026 and 2025, respectively and $9,923 and $13,108 for the nine months ended September 30, 2026 and 2025, respectively.

Promissory Note

Through the 2022 SUNation NY acquisition, the Company acquired a promissory note with a former shareholder and member of SUNation NY through a buyout agreement. The promissory note included monthly payments of principal and interest at an annual rate of 3.25% and initially matured on March 1, 2031.

The balance for the promissory note recorded at December 31, 2025 was $1,154,059. On January 30, 2026, the Company reached agreement with the former shareholder to settle the promissory note for a total aggregate of $800,000, using proceeds from the Revolver (as noted above). The Company recorded a gain on extinguishment of debt of $332,412 in connection with the repayment of the note, which represents the difference between (a) the reduced aggregate repayment amount and (b) the carrying amount of the note at the repayment date, which included the outstanding principal and interest balance.

Interest expense was $0 and $10,249 for the three months ended September 30, 2026 and 2025, respectively and $3,126 and $32,296 for the nine months ended September 30, 2026 and 2025.

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 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 $398,529 in cash. There was no remaining accrual balance at September 30, 2026.

NOTE 7 – RELATED PARTY TRANSACTIONS

Related party receivables

The Company has provided advances to employees resulting in a balance as of September 30, 2026 and December 31, 2025 of $21,145 and $21,412, 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.

Debt

As of September 30, 2026, the Company only has outstanding related party debt under the SUNation NY 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 party debt, including the MBB Line of Credit facility within Note 6, Commitments and Contingencies.

On April 14, 2026, the Board of Directors of the Company approved the conversion of $1,200,000 of the Long-Term Note to equity at a premium of 10% per share above both the closing price and the 5-day closing average of the Company's common stock on Nasdaq Stock Market on April 13, 2026, thereby reducing the Company's principal debt thereunder following this debt to equity conversion. The Long-Term Note is held by the Company's chief executive officer and chief financial officer. See further information within Note 6, Commitment and Contingencies, related to the conversion of a portion of the Long-Term Note to equity.

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. At September 30, 2026, 6 shares had been issued under the 2022 Plan, no shares were subject to currently outstanding unvested restricted stock units ("RSUs"), and 61 shares were available for grant under future awards.

Changes in Restricted Stock Units Outstanding

The following table summarizes the changes in the number of RSUs during the nine months ended September 30, 2026:

	RSUs	Weighted Average Grant Date Fair Value Per Share
Outstanding – December 31, 2025	3	$ 170,500.00
Units Granted	—	—
Shares Issued	(2)	211,500.00
Forfeited	(1)	88,500.00
Outstanding – September 30, 2026	—	—

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

Compensation Expense

Share-based compensation expense recognized for the three months ended September 30, 2026 and 2025 was $(18,158) and $18,899, respectively and $(8,446) and $72,175 for the nine months ended September 30, 2026 and 2025, respectively. There was no unrecognized compensation expense at September 30, 2026 as there were no outstanding RSUs. 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 September 30, 2026, 2 shares remained available for purchase under the ESPP.

NOTE 9 – EQUITY

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 ("Roth") under which the Company had authorized the sale, at its discretion, of common stock shares in an aggregate offering amount up to $10,000,000 under the Sales Agreement). 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. On August 11, 2025, the Company provided written notice of termination of the Sales Agreement to the Sales Agent pursuant to the terms thereunder.

On April 8, 2026, the Company entered into a Sales Agreement (the " Maxim Sales Agreement") with Maxim Group, LLC ("Maxim" or the "Maxim Sales Agent") with respect to an offering and sale, at any time and from time to time, of the Company's common stock in an aggregate offering amount up to $3,599,586 under the Maxim Sales Agreement. Sales of common stock, if any, will solely be made in "at the market offerings". The Company will pay the Maxim Sales Agent a cash commission in an amount up to 3.0% of the gross proceeds from each sale of shares sold pursuant to the Maxim Sales Agreement. As of September 30, 2026, we have sold an aggregate of 38,524 shares for gross proceeds of $60,604 under this ATM facility, none of which shares were sold in the three months ended September 30, 2026.

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 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 a registered direct offering (the "Offering") for a multi tranche offering in which Roth acted as the placement agent pursuant to the terms of a Placement Agent Agreement ("PAA") of same date. The first tranche closing involved the purchase and sale of an aggregate of $15,000,000 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 $5,000,000 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") 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 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 following receipt of approval by the Company's stockholders for 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 was 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 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 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 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 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 $5,000,000. Together with the approximately $15,000,000 in gross proceeds from the previously announced first tranche closing completed on February 27, 2025, the Company raised approximately $20,000,000 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. During the nine months ended September 30, 2025, the Company recorded a gain of $109,492 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.

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 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.

The Company agreed to pay Roth, acting as the placement agent, a cash fee of 7.5% of the gross proceeds the Company receives under the Purchase Agreement. During the nine months ended September 30, 2025, the Company incurred an aggregate of $1,568,099 in placement agent fees and related offering expenses, of which $576,593 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.

June 2026 Offering

On June 7, 2026, the Company entered into a securities purchase agreement (the "PIPE Purchase Agreement") with certain institutional and accredited investors for the purchase and sale of an aggregate of 2,390,000 shares of common stock of the Company, par value $0.05 per share (the "PIPE Shares"), for gross proceeds of $2,700,700, which PIPE Shares were priced at market at $1.13 per share, based on the closing price of the Company's Common Stock on the Nasdaq Capital Market on June 5, 2026 (the "PIPE Offering"). There are no warrants in this offering, and no price adjustment features related to the PIPE Shares. The PIPE Shares have not been registered under the Securities Act of 1933 and were offered pursuant to exemption from registration.

The PIPE 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 closing of the Offering closed on June 9, 2026. The Company intends to use the net proceeds from the Offering to fund the Company's working capital and general corporate purposes.

Concurrently with the entry into the PIPE Purchase Agreement, the Company entered into a Registration Rights Agreement (the "Registration Rights Agreement") with the Investors for the registration for resale of the PIPE Shares pursuant to a registration statement (the "Registration Statement") to be filed with the SEC. Following the effectiveness of the resale Registration Statement, the Company is obligated to keep Registration Statement continuously effective from the date on which the SEC declares the Registration Statement effective until such date that all Registrable Securities (as such term is defined in the Registration Rights Agreement) covered by such Registration Statement have been sold pursuant to a registration statement under the Securities Act or under Rule 144 as promulgated by the SEC under the Securities Act, or otherwise shall have ceased to be Registrable Securities. The Company will be responsible for the registration expenses incurred in connection with the registration statement.

In connection with the Offering, the Company also entered into a placement agency agreement (the "Placement Agency Agreement"), dated as of June 5, 2026, between the Company, Maxim, (with Roth Capital Partners, LLC as a beneficiary of certain provisions related thereto). The Company engaged Maxim to act as the Company's placement agent in connection with the Offering. The Company agreed to pay Maxim a cash fee of 4.5% of the gross proceeds the Company receives under the Purchase Agreement, as well as certain expenses of the offering.

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 (4.4%) for the three months ended September 30, 2026 and 2025, respectively and (0.1%) and (0.3%) for the nine months ended September 30, 2026 and 2025, respectively. 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 became effective in 2025, while others became effective in 2026. The Company has evaluated the impact of the legislation and incorporated the applicable tax provisions into its 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 NY segment provides solar power, battery storage, and related services to customers primarily in New York. 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 NY 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.

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.

	Three Months Ended September 30, 2026		
	SUNation NY	HEC	Total
Sales	$ 8,007,666	$ 3,192,871	$ 11,200,537
Cost of sales	5,395,924	2,350,633	7,746,557
Gross profit	2,611,742	842,238	3,453,980
Operating expenses:			
Selling, general and administrative expenses	2,720,022	949,369	3,669,391
Amortization expense	203,125	356,250	559,375
Goodwill impairment loss	4,917,533	—	4,917,533
Intangible asset impairment loss	1,717,708	3,183,176	4,900,884
Restructuring expense	—	—	—
Total operating expenses	9,558,388	4,488,795	14,047,183
Segment operating loss	(6,946,646)	(3,646,557)	(10,593,203)
Other income (expense):			
Investment and other income	4,556	2,223	6,779
Gain on sale of assets	32,532	—	32,532
Interest expense	(19,072)	—	(19,072)
Other (expense) income, net	18,016	2,223	20,239
Total reportable segment operating loss before income taxes	**$ (6,928,630)**	**$ (3,644,334)**	**$ (10,572,964)**
Reconciling items – Corporate and other (not a reportable segment):			
Unallocated corporate selling, general and administrative expenses			(657,997)
Corporate transaction costs			(456,889)
Investment and other income			5,037
Interest expense			(143,373)
Consolidated loss before income taxes			**$ (11,826,186)**
Depreciation and amortization	$ 246,810	$ 375,253	$ 622,063
Assets	$ 17,103,359	$ 12,696,124	$ 29,799,483

	Three Months Ended September 30, 2025		
	SUNation NY	HEC	Total
Sales	$ 13,014,951	$ 5,978,685	$ 18,993,636
Cost of sales	7,723,699	4,058,252	11,781,951
Gross profit	5,291,252	1,920,433	7,211,685
Operating expenses:			
Selling, general and administrative expenses	4,211,881	1,119,994	5,331,875
Amortization expense	203,125	356,250	559,375
Total operating expenses	4,415,006	1,476,244	5,891,250
Segment operating income	876,246	444,189	1,320,435
Other income (expense):			
Investment and other income	3,713	2,044	5,757
Interest expense	(14,448)	—	(14,448)
Other (expense) income, net	(10,735)	2,044	(8,691)
Total reportable segment operating income before income taxes	**$ 865,511**	**$ 446,233**	**$ 1,311,744**
Reconciling items – Corporate and other (not a reportable segment):			
Unallocated corporate selling, general and administrative expenses			(1,566,166)
Investment and other income			9,416
Fair value remeasurement of contingent value rights			(2,318)
Interest expense			(128,972)
Consolidated loss before income taxes			**$ (376,296)**
Depreciation and amortization	$ 246,687	$ 381,362	$ 628,049
Capital expenditures	$ —	$ 8,970	$ 8,970
Assets	$ 26,924,256	$ 19,806,231	$ 46,730,487

	Nine Months Ended September 30, 2026		
	SUNation NY	HEC	Total
Sales	$ 18,536,174	$ 8,020,799	$ 26,556,973
Cost of sales	13,241,302	6,140,921	19,382,223
Gross profit	5,294,872	1,879,878	7,174,750
Operating expenses:			
Selling, general and administrative expenses	7,868,718	2,562,915	10,431,633
Amortization expense	609,375	1,068,750	1,678,125
Goodwill impairment loss	4,917,533	—	4,917,533
Intangible asset impairment loss	1,717,708	3,183,176	4,900,884
Total operating expenses	15,113,334	6,814,841	21,928,175
Segment operating loss	(9,818,462)	(4,934,963)	(14,753,425)
Other income (expense):			
Investment and other income	12,323	13,406	25,729
Gain on sale of assets	36,232	—	36,232
Interest expense	(56,071)	—	(56,071)
Gain on debt extinguishment	332,412	—	332,412
Other income (expense), net	324,896	13,406	338,302
Total reportable segment operating loss before income taxes	**$ (9,493,566)**	**$ (4,921,557)**	**$ (14,415,123)**
Reconciling items – Corporate and other (not a reportable segment):			
Unallocated corporate selling, general and administrative expenses			(3,440,274)
Corporate transaction costs			(1,027,405)
Investment and other income			48,224
Interest expense			(398,298)
Consolidated loss before income taxes			**$ (19,232,876)**
Depreciation and amortization	$ 740,223	$ 1,126,806	$ 1,867,029
Capital expenditures	$ 2,500	$ —	$ 2,500

	Nine Months Ended September 30, 2025		
	SUNation NY	HEC	Total
Sales	$ 32,380,354	$ 12,314,174	$ 44,694,528
Cost of sales	19,455,498	8,756,503	28,212,001
Gross profit	12,924,856	3,557,671	16,482,527
Operating expenses:			
Selling, general and administrative expenses	11,805,885	3,117,988	14,923,873
Amortization expense	609,375	1,068,750	1,678,125
Total operating expenses	12,415,260	4,186,738	16,601,998
Segment operating income (loss)	509,596	(629,067)	(119,471)
Other income (expenses):			
Investment and other income	21,960	12,277	34,237
Interest expense	(45,404)	—	(45,404)
Other (expense) income, net	(23,444)	12,277	(11,167)
Total reportable segment operating income (loss) before income taxes	**$ 486,152**	**$ (616,790)**	**$ (130,638)**
Reconciling items – Corporate and other (not a reportable segment):			
Unallocated corporate selling, general and administrative expenses			(4,457,195)
Investment and other income			56,762
Fair value remeasurement of warrant liability			(7,531,044)
Fair value remeasurement of contingent forward contract			899,080
Fair value remeasurement of contingent value rights			23,132
Financing fees			(1,136,532)
Interest expense			(831,386)
Loss on debt extinguishment			(343,471)
Consolidated loss before income taxes			**$ (13,451,292)**
Depreciation and amortization	$ 748,785	$ 1,132,008	$ 1,880,793
Capital expenditures	$ —	$ 17,787	$ 17,787

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 September 30, 2026 and December 31, 2025 are summarized below.

	September 30, 2026			
	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents:				
Money market funds	$ 680,296	$ —	$ —	$ 680,296
Total	$ 680,296	$ —	$ —	$ 680,296

	December 31, 2025			
	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents:				
Money market funds	$ 665,582	$ —	$ —	$ 665,582
Total	$ 665,582	$ —	$ —	$ 665,582

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

	Three Months Ended September 30, 2025	
	Contingent value rights	Total
June 30, 2025	$ (292,901)	$ (292,901)
Fair value adjustments	3,953	3,953
September 30, 2025	$ (288,948)	$ (288,948)

	Nine Months Ended September 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	23,132	(7,531,044)	—	899,080	(6,608,832)
Settlement	—	267,391	—	4,616,445	4,883,836
September 30, 2025	$ (288,948)	$ —	$ —	$ —	$ (288,948)

The estimated fair value of the Contingent Value Rights (“CVR”) as of September 30, 2026 and December 31, 2025 was $0. The Company recorded a $23,132 gain on the fair value remeasurement of the CVRs during the nine months ended September 30, 2025.

The estimated fair value of the contingent forward contract was $0 as of September 30, 2026 and December 31, 2025. 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 $0 and $899,080 in the three and nine months ended September 30, 2025, respectively. See Note 9, Equity, for further information.

The 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 nine months ended September 30, 2026.

NOTE 13 – GOING CONCERN

The Company's financial statements as of September 30, 2026 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, 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 during 2026, 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 that require further disclosure, other than as disclosed in Note 6, Commitments and Contingencies.

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, 2025 filed with the Securities and Exchange Commission ("SEC") on March 23, 2026.

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 continuing and potential 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;
- 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;
- 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;
- our financial performance;
- the period over which we estimate our existing cash and cash equivalents will be sufficient to fund our future operating expenses and capital expenditure requirements;
- our anticipated use of our existing resources;
- our conducting and completion of a strategic review, and our pursuit of, and ability to successfully identify and execute, strategic transactions;
- our ability to preserve our existing cash resources; and
- our expectations regarding the value or recovery that may be available to our stockholders and other stakeholders as part of a strategic alternative transaction process.

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, 2025 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 listed 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 NY") 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.

Proposed Merger with Suniva

On April 9, 2026, the Company announced that its Board of Directors, including the approval of the Board's "Transaction Committee", had authorized the formal review of a full range of strategic alternatives aimed at increasing shareholder value and best positioning the Company for long-term success. The Transaction Committee is comprised of independent members of the Board. In connection with the strategic review, the Company had engaged Maxim Group, LLC to serve as its M&A and financial advisor to assist in this strategic process. The review included the consideration of a broad spectrum of possible actions, including, but not limited to, a potential sale of the Company, strategic merger or other business combinations, acquisitions, divestitures of assets, further optimization of the corporate structure, or other strategic or financial transactions that could enhance shareholder value and further optimize capital resources.

On June 5, 2026, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with SUNation Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company (the "Merger Sub"), and Suniva, Inc., a Delaware corporate ("Suniva"), pursuant to which, among other matters, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Suniva with Suniva surviving the merger as a wholly owned subsidiary of the Company (the "Suniva Merger").

Concurently with the execution of the Merger Agreement, certain key stockholders of the Company (solely in their respective capacities as SUNation stockholders) holding approximately 10.4% of the outstanding shares of the Company's capital stock entered into voting agreements with the Company and Suniva to vote all of their shares of the Company's capital stock in favor of the adoption and approval of the Merger Agreement and the transactions contemplated thereby (the "Voting Agreements").

Subject to the terms and conditions of the Merger Agreement, assuming consummation thereof, at the effective time of the Merger (the "Effective Time"): (a) each then-outstanding share of Suniva capital stock (including shares of Suniva common stock and shares of Suniva preferred stock) will be converted into the right to receive a number of shares of the Company's common stock calculated in accordance with the Merger Agreement (the "Exchange Ratio"); (b) each then-outstanding Suniva warrant will be cancelled at the Effective Time, with each warrantholder entitled to receive for each warrant share a number of shares of the Company's common stock equal to the Exchange Ratio, the per share exercise price of the warrant; and (c) each then-outstanding Suniva restricted stock unit will be fully vested and converted into shares of the Company's common stock at the Exchange Ratio. Additionally, pursuant to the terms of the Merger Agreement, in addition to the conversion of 50% of the remaining secured long-term debt obligations of the Company into shares of common stock, the terms of which conversion to equity shall be subject to approval of the Company's stockholders at the special meeting which shall be called to approve the proposed Merger and related matters, Suniva shall also pay to the Company at the closing of the proposed Merger approximately $3.75 million in cash in satisfaction of the current secured long-term debt of the Company.

Under the Exchange Ratio in the Merger Agreement, upon the closing of the Merger, on a pro forma basis and based upon the number of shares of the Company's common stock expected to be issued in the Merger, pre-Merger Suniva stockholders are expected to own approximately 98.2% of the combined company and pre-Merger SUNation stockholders are expected to own approximately 1.8% of the combined company. The percentage of the combined company that each party's stockholders will own following the closing is subject to adjustments as described in the Merger Agreement for the amount of the Company's net cash at closing relative to a specified target.

For purposes of calculating the Merger Consideration, (a) shares of the Company's common stock underlying the Company's stock options, warrants and other rights to receive shares outstanding as of immediately prior to the closing of the Merger will be deemed to be outstanding, (b) shares of the Company's common stock issuable upon the settlement of our restricted stock units (excluding performance-based restricted stock units for which the performance condition has not been met) will be deemed to be outstanding, and (c) all shares of Suniva common stock underlying outstanding Suniva stock options, Suniva restricted stock units and Suniva warrants will be deemed to be outstanding.

In connection with the Merger, the Company will seek the approval of its stockholders of, among other things, (a) the issuance of shares of the Company's common stock in connection with the Merger on the terms and conditions set forth in the Merger Agreement, (b) if Suniva deems it advisable, an amendment and restatement of the Company's amended certificate of incorporation, (c) if deemed necessary by the Company and Suniva, an amendment to the Company's amended certificate of incorporation to effect a reverse stock split of all outstanding Company shares of common stock, (d) the conversion of certain secured insider/ related party debt to the Company's common stock, and (e) an increase in the number of shares of the Company's common stock reserved for issuance under the existing Company equity incentive plan of no less than 5% of the projected total post-Merger number of outstanding shares of the Company's common stock. To the extent necessary or deemed appropriate, additional proposals may be added by the Company's board of directors, which will be included in any prospectus/proxy statement relating to the special meeting of stockholders.

Each of the Company and Suniva has agreed to customary representations, warranties and covenants in the Merger Agreement, including, among others, covenants relating to (a) using commercially reasonable efforts to obtain the requisite approval of its stockholders, (b) non-solicitation of alternative acquisition proposals, (c) the conduct of their respective businesses during the period between the date of signing the Merger Agreement and the closing of the Merger,

(d) the Company using commercially reasonable efforts to maintain the existing listing of the Company's common stock on The Nasdaq Capital Market and cause the shares of the Company's common stock to be issued in connection with the Merger to be approved for listing on The Nasdaq Capital Market prior to the closing of the Merger and (e) the Company's filing with the U.S. Securities and Exchange Commission (the "SEC") and causing to become effective a registration statement to register the shares of the Company's common stock to be issued in connection with the Merger (the "Registration Statement").

Consummation of the proposed Merger is subject to certain closing conditions, including, among other things, (a) approval by the Company's stockholders of the matters being put to their vote, (b) approval by the requisite Suniva stockholders of the adoption and approval of the Merger Agreement and the transactions contemplated thereby, (c) Nasdaq's approval of the listing of the shares of the Company's common stock to be issued in connection with the Merger, (d) the effectiveness of the Registration Statement, and (e) the Company's net cash not being less than negative $1,500,000. Each party's obligation to consummate the Merger is also subject to other specified customary conditions, including regarding the accuracy of the representations and warranties of the other party, subject to the applicable materiality standard, and the performance in all material respects by the other party of its obligations under the Merger Agreement required to be performed on or prior to the date of the closing of the Merger.

The Merger Agreement also contains customary termination rights of each of the Company and Suniva. Upon termination of the Merger Agreement under specified circumstances, the Company may be required to pay Suniva a termination fee of $1,000,000, and Suniva may be required to pay the Company a termination fee of $1,000,000. The Merger Agreement may be terminated if the Merger has not been consummated on or before January 30, 2027, subject to a potential sixty (60)-day extension in certain circumstances as set forth in the Merger Agreement. At the Effective Time, assuming consummation of the proposed Merger, the Board of Directors of SUNation is expected to consist of five members, all of whom will be designated by Suniva.

In connection with the proposed Merger between the Company and Suniva, the Company confidentially filed a registration statement on Form S-4 which contains a proxy statement/prospectus of relating to the proposed Merger and containing the proposals to be voted upon by the shareholders of record as the date to be set forth therein.

On September 4, 2026, the Company entered into a First Amendment to Agreement and Plan of Merger (the "Merger Amendment") with the Merger Sub and Suniva. Under the terms of the Merger Amendment, the parties amended the Merger Agreement as follows:

(a) permitting certain Suniva warrants or other derivative securities to be exchanged for identical SUNation securities;
(b) clarifying the required vote for matters being submitted for approval to SUNation stockholders in connection with the Merger;
(c) introducing new matters for approval at the SUNation stockholders meeting each of which would be conditions to closing the Merger – an authorized share increase amendment to SUNation's certificate of incorporation from 1 billion shares to 1.5 billion shares, and the approval of the issuance of SUNation securities in exchange for certain securities issued to Suniva lenders;
(d) removing approval of other charter amendments (that is, other than the authorized share increase described above) from being a condition to closing the Merger;
(e) changing SUNation's closing net cash requirement from negative $1.5 million to negative $2.5 million, subject to adjustment for potential capital raises; and
(f) amending the SUNation directors and officers "tail" insurance policy provision to permit SUNation to establish an escrow account to hold a $500,000 retention deposit.

In addition, pursuant to certain changes to definitions applicable to SUNation insider indebtedness and its contemplated conversion to SUNation equity, SUNation will use reasonable best efforts to repay or convert to equity up to $2,608,303 in related party loans, with a fixed conversion price of $2.26 per share, with any conversion subject to the approval of SUNation stockholders. In the event that SUNation stockholders do not approve the conversion, Suniva agrees to repay the outstanding loans and accrued interest within 10 calendar days of the closing of the Merger. Additionally, as set forth in the Merger Amendment and Merger Agreement, Suniva agrees to repay other remaining outstanding related party loans and accrued interest upon the closing of the Merger.

Concurrently with the execution of the Merger Amendment, SUNation and Suniva entered into a consent letter whereby, the parties consented, pursuant to Section 5.01 of the Merger Agreement, to certain actions by Suniva related to financings it has completed, including securities issuances, subject to a limitation that further issuances or committed issuances in excess of 5% of Suniva's fully-diluted shares on a pro-forma basis after the transactions that are consented to, are subject to further SUNation written consent.

Following the publicly available submission of our SEC filings related to the proposed Merger, SUNATION ENERGY URGES INVESTORS AND STOCKHOLDERS TO READ THE REGISTRATION STATEMENT, PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS THAT MAY BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS, SUPPLEMENTS OR DOCUMENTS INCORPORATED BY REFERENCE IN OR TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT SUNATION, SUNIVA, THE PROPOSED TRANSACTION AND RELATED MATTERS. Investors and stockholders will be able to obtain free copies of the proxy statement/prospectus and other documents filed by SUNation Energy with the SEC (when they become available) through the website maintained by the SEC at www.sec.gov. In addition, investors and stockholders should note that SUNation Energy communicates with investors and the public using its website (www.sunation.com) and the investor relations website (ir.sunation.com) where anyone will be able to obtain free copies of the proxy statement/prospectus and other documents filed by SUNation with the SEC and stockholders are urged to read the proxy statement/prospectus and the other relevant materials when they become available before making any voting or investment decision with respect to the proposed transaction.

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").

The effect of the April Reverse Stock Split has been applied retroactively and is reflected in this Quarterly Report on Form 10-Q for all periods presented.

Results of Operations

Comparison of the Three Months Ended September 30, 2026 and 2025

Consolidated Results

The following table summarizes our consolidated results for the three months ended September 30, 2026 and 2025:

	Three Months Ended September 30					
	2026		2025		Change	
	Amount	% of Sales	Amount	% of Sales	$	%
Sales	$ 11,200,537	100%	$ 18,993,636	100%	$ (7,793,099)	-41.0%
Cost of sales	7,746,557	69%	11,781,951	62%	(4,035,394)	-34.3%
Gross profit	3,453,980	31%	7,211,685	38%	(3,757,705)	-52.1%
Operating expenses:						
Selling, general and administrative expenses	4,327,388	39%	6,898,041	36%	(2,570,653)	-37.3%
Amortization expense	559,375	5%	559,375	3%	—	0.0%
Transaction costs	456,889	4%	—	0%	456,889	
Goodwill impairment loss	4,917,533	44%	—	0%	4,917,533	
Intangible asset impairment loss	4,900,884	44%	—	0%	4,900,884	
Total operating expenses	15,162,069	135%	7,457,416	39%	7,704,653	103.3%
Operating loss	(11,708,089)	-105%	(245,731)	-1%	(11,462,358)	4664.6%
Other income (expense):						
Investment and other income	11,816	0%	15,173	0%	(3,357)	-22.1%
Gain on sale of assets	32,532	0%	—	0%	32,532	
Fair value remeasurement of contingent value rights	—	0%	(2,318)	0%	2,318	-100.0%
Interest expense	(162,445)	-1%	(143,420)	-1%	(19,025)	13.3%
Other expense, net	(118,097)	-1%	(130,565)	-1%	12,468	-9.5%
Net loss before income taxes	(11,826,186)	-106%	(376,296)	-2%	(11,449,890)	3042.8%
Income tax (benefit) expense	(5,981)	0%	16,679	0%	(22,660)	-135.9%
Net loss	$ (11,820,205)	-106%	$ (392,975)	-2%	$ (11,427,230)	2907.9%

Consolidated sales decreased $7,793,099, or 41.0% to $11,200,537 in the third quarter of 2026 from $18,993,636 in the third quarter of 2025, with a 52% decrease within residential contract revenue and a 9% decrease in service revenue, partially offset by a 20% increase in commercial revenue. On a consolidated basis, overall kilowatts installed on residential projects decreased 51%, revenue per residential installation decreased 14% and the overall price per watt on residential projects decreased 3% in the third quarter of 2026 as compared to the third quarter of 2025. The overall decrease in residential revenue is driven by decreased customer demand due to the expiration of federal tax credits at December 31, 2025 under the passing of the One Big Beautiful Bill Act.

Consolidated gross profit decreased to $3,453,980 in the third quarter of 2026 as compared to gross profit of $7,211,685 in the third quarter of 2025 due primarily to the decrease in revenue. Gross margin decreased to 31% during the third quarter of 2026 as compared to 38% in the third quarter of 2025 due to fixed costs in cost of sales not declining with the revenue decrease.

Consolidated operating expenses decreased 28% to $5,343,652 in the third quarter of 2026 as compared to $7,457,416 in the third quarter of 2025. Consolidated selling, general and administrative expenses decreased $2,570,653, or 37%, to $4,327,388 in the third quarter of 2026 from $6,898,041 in the third quarter of 2025, due primarily to lower selling and marketing expenses on lower revenue and lower personnel costs on headcount reductions during 2026. Amortization expense remained flat at $559,375 in the third quarter of 2026 as compared to the same period of the prior year. The

Company incurred $456,889 in transaction costs during the third quarter of 2026 related to the proposed Suniva Merger. The Company also recorded a $4,917,533 goodwill impairment loss within the SUNation NY segment and a $4,900,884 intangible asset impairment loss on its tradenames and trademarks intangible assets within both the SUNation NY and HEC segments.

Consolidated other (expense) income decreased by $12,468 to expense of $118,097 in the third quarter of 2026 as compared to $130,565 of expense in the third quarter of 2025. The decrease was primarily related to a $32,532 increase in gain on sale of assets, partially offset by a $19,025 increase in interest expense.

Consolidated operating loss in the third quarter of 2026 was $11,708,089 as compared to $245,731 in the third quarter of 2025. Net loss in the third quarter of 2026 was $11,820,205, or $(1.81) per diluted share, compared to net loss of $392,975, or $(0.12) per diluted share, in the third quarter of 2025.

SUNation NY Operating Results

SUNation NY revenue decreased 38% or $5,007,285, to $8,007,666 in the third quarter of 2026 as compared to $13,014,951 in the third quarter of 2025. Revenue in the third quarters of 2026 and 2025 by type were as follows:

	Revenue by Type	
	Three Months Ended September 30	
	2026	2025
Residential contracts	$ 4,731,447	$ 9,919,664
Commercial contracts	2,634,995	2,228,443
Service revenue	641,224	866,844
	$ 8,007,666	$ 13,014,951

Residential contract revenue decreased $5,188,217, or 52%, due to a 53% decrease in number of systems installed, 48% decrease in kilowatts installed and an 1% decrease in revenue per install. This overall decrease is due partially to the decreased customer demand with the expiration of federal tax credits at December 31, 2025 under the passage of the One Big Beautiful Bill Act. Commercial contract revenue increased $406,552, or 18%. Service revenue decreased $225,620, or 26%, due primarily to a decrease in battery and additional panel add-on installs.

Gross profit decreased 51% to $2,611,742 in the third quarter of 2026 as compared to gross profit of $5,291,252 in the third quarter of 2025 due primarily to the decrease in revenue and additional decrease in gross margin. Gross margin decreased to 32.6% in 2026 compared to 40.7% in 2025 due primarily to fixed labor and overhead costs that did not decrease at the same rate as the revenue decline.

Selling, general and administrative expenses decreased 35% or $1,491,859 to $2,720,022 in 2026 (34% as a percentage of sales) as compared to $4,211,881 in 2025 (32% as a percentage of sales), due primarily to a decrease in selling and marketing expenses on lower residential contract revenue and lower personnel costs on headcount reductions during the 2026. Amortization expense remained flat at $203,125 in 2026 as compared to 2025.

HEC Operating Results

HEC sales decreased 47%, or $2,785,814, to $3,192,871 in the third quarter of 2026 as compared to $5,978,685 in the third quarter of 2025. Sales in 2026 and 2025 by type were as follows:

	Revenue by Type	
	Three Months Ended September 30	
	2026	2025
Residential contracts	$ 2,794,270	$ 5,737,702
Commercial contracts	28,223	—
Service revenue	370,378	240,983
	$ 3,192,871	$ 5,978,685

Residential contract sales decreased $2,943,432, or 51%, due to a 59% decrease in kilowatts installed and a 32% decrease in installations, partially offset by a 20% increase in price per watt installed and a 13% increase in battery attachment rates. In May 2025, Hawaii implemented a new Bring Your Own Device Plus ("BYOD Plus") program. 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. The overall decrease in residential installations is due to the expiration of federal tax credits at December 31, 2025 under the passage of the One Big Beautiful Bill Act. Service revenue increased $129,395, or 54%, due to an increase in repair and replacement installations.

Gross profit decreased 56% to $842,238 in the third quarter of 2026 as compared to gross profit of $1,920,433 in the third quarter of 2025 due primarily to the decrease in revenue and decrease in gross margin. Gross margin decreased to 26.4% in the third quarter of 2026 compared to 32.1% in the third quarter of 2025, driven by an increase in labor and overhead costs as a percentage of revenue.

Selling, general and administrative expenses decreased 15% to $949,369 in the third quarter of 2026 (30% as a percentage of sales) as compared to $1,119,994 in the third quarter of 2025 (19% as a percentage of sales), due primarily to a decrease in selling expenses and general excise tax on lower revenue. Amortization expense remained flat at $356,250 in 2026 as compared to 2025.

Comparison of the Nine Months Ended September 30, 2026 and 2025

Consolidated Results

The following table summarizes our consolidated results for the nine months ended September 30, 2026 and 2025:

	Nine Months Ended September 30					
	2026		2025		Change	
	Amount	% of Sales	Amount	% of Sales	$	%
Sales	$ 26,556,973	100%	$ 44,694,528	100%	$ (18,137,555)	-40.6%
Cost of sales	19,382,223	73%	28,212,001	63%	(8,829,778)	-31.3%
Gross profit	7,174,750	27%	16,482,527	37%	(9,307,777)	-56.5%
Operating expenses:						
Selling, general and administrative expenses	13,871,907	52%	19,381,068	43%	(5,509,161)	-28.4%
Amortization expense	1,678,125	6%	1,678,125	4%	—	0.0%
Transaction costs	1,027,405	4%	—	0%	1,027,405	
Goodwill impairment loss	4,917,533	19%	—	0%	4,917,533	
Intangible asset impairment loss	4,900,884	18%	—	0%	4,900,884	
Total operating expenses	26,395,854	99%	21,059,193	47%	5,336,661	25.3%
Operating loss from continuing operations	(19,221,104)	-72%	(4,576,666)	-10%	(14,644,438)	320.0%
Other income (expense):						
Investment and other income	73,953	0%	90,999	0%	(17,046)	-18.7%
Gain on sale of assets	36,232	0%	—	0%	36,232	
Fair value remeasurement of warrant liability	—	0%	(7,531,044)	-17%	7,531,044	-100.0%
Fair value remeasurement of contingent forward contract	—	0%	899,080	2%	(899,080)	-100.0%
Fair value remeasurement of contingent value rights	—	0%	23,132	0%	(23,132)	-100.0%
Financing fees	—	0%	(1,136,532)	-3%	1,136,532	-100.0%
Interest expense	(454,369)	-2%	(876,790)	-2%	422,421	-48.2%
Gain (loss) on debt extinguishment	332,412	1%	(343,471)	-1%	675,883	-196.8%
Other expense, net	(11,772)	0%	(8,874,626)	-20%	8,862,854	-99.9%
Net loss before income taxes	(19,232,876)	-72%	(13,451,292)	-30%	(5,781,584)	43.0%
Income tax expense	16,770	0%	45,530	0%	(28,760)	-63.2%
Net loss	$ (19,249,646)	-72%	$ (13,496,822)	-30%	$ (5,752,824)	42.6%

Consolidated sales decreased $18,137,555, or 40.6% to $26,556,973 in the first nine months of 2026 from $44,694,528 in the first nine months of 2025, with a 51% decrease within residential contract revenue and a 5% decrease in service revenue, partially offset by a 19% increase in commercial revenue. On a consolidated basis, overall kilowatts installed on residential projects decreased 51%, revenue per residential installation decreased 8% and the overall price per watt on residential projects decreased 5% in the first nine months of 2026 as compared to the first nine months of 2025. The overall decrease in residential revenue is driven by decreased customer demand due to the expiration of federal tax credits at December 31, 2025 under the passing of the One Big Beautiful Bill Act.

Consolidated gross profit decreased to $7,174,750 in the first nine months of 2026 as compared to gross profit of $16,482,527 in the first nine months of 2025 due primarily to the decrease in revenue. Gross margin decreased to 27% during the first nine months of 2026 as compared to 37% in the first nine months of 2025 due to fixed costs in cost of sales not declining with the revenue decrease.

Consolidated operating expenses decreased 21% to $16,577,437 in the first nine months of 2026 as compared to $21,059,193 in the first nine months of 2025. Consolidated selling, general and administrative expenses decreased $5,509,161, or 28%, to $13,871,907 in the first nine months of 2026 from $19,381,068 in the first nine months of 2025,

due primarily to lower selling and marketing expenses on lower revenue and lower personnel costs on headcount reductions during the first half of 2026. Amortization expense remained flat at $1,678,125 in the first nine months of 2026 as compared to the same period of the prior year. The Company incurred $1,027,405 in transaction costs during the first nine months of 2026 related to the proposed Suniva Merger. The Company also recorded a $4,917,533 goodwill impairment loss within the SUNation NY segment and a $4,900,884 intangible asset impairment loss on its tradenames and trademarks intangible assets within both the SUNation NY and HEC segments.

Consolidated other (expense) income decreased by $8,862,854 to expense of $11,772 in the first nine months of 2026 as compared to $8,874,626 of expense in the first nine months of 2025. The decrease was primarily related to a $7,531,044 fair value remeasurement loss of the warrant liability in the prior year, a decrease of $1,136,532 in financing fees, a $675,883 increase in gain on debt extinguishment, a $422,421 decrease in interest expense, partially offset by a $899,080 decrease in gain on fair value remeasurement of contingent forward contract.

Consolidated operating loss in the first nine months of 2026 was $19,221,104 as compared to $4,576,666 in the first nine months of 2025. Net loss in the first nine months of 2026 was $19,249,646, or $(3.97) per diluted share, compared to net loss of $13,496,822, or $(6.19) per diluted share, in the first nine months of 2025.

SUNation NY Operating Results

SUNation NY revenue decreased 43% or $13,844,180, to $18,536,174 in the first nine months of 2026 as compared to $32,380,354 in first nine months of 2025. Revenue in the first nine months of 2026 and 2025 by type were as follows:

	Revenue by Type	
	Nine Months Ended September 30	
	2026	2025
Residential contracts	$ 11,149,428	$ 25,832,477
Commercial contracts	5,649,666	4,766,323
Service revenue	1,737,080	1,781,554
	$ 18,536,174	$ 32,380,354

Residential contract revenue decreased $14,683,049, or 57%, due to a 57% decrease in number of systems installed, 52% decrease in kilowatts installed and a 5% decrease in revenue per install. This overall decrease is due partially to the decreased customer demand with the expiration of federal tax credits at December 31, 2025 under the passage of the One Big Beautiful Bill Act, along with a decrease in available install days due to weather-related events during the first half of the year. The weather-related events during the first nine months of 2026 resulted in 23 less available days to complete installations as compared to the same period of the prior year. Commercial contract revenue increased $883,343, or 19%. Service revenue decreased $44,474, or 2%, due primarily to a decrease in battery and additional panel add-on installations.

Gross profit decreased 59% to $5,294,872 in the first nine months of 2026 as compared to gross profit of $12,924,856 in the first nine months of 2025 due primarily to the decrease in revenue and additional decrease in gross margin. Gross margin decreased to 28.6% in 2026 compared to 39.9% in 2025 due primarily to fixed labor and overhead costs that did not decrease at the same rate as the revenue decline.

Selling, general and administrative expenses decreased 33% or $3,937,167 to $7,868,718 in 2026 (42% as a percentage of sales) as compared to $11,805,885 in 2025 (36% as a percentage of sales), due primarily to a decrease in selling and marketing expenses on lower residential contract revenue and lower personnel costs on headcount reductions during 2026. Amortization expense remained flat at $609,375 in 2026 as compared to 2025.

HEC Operating Results

HEC sales decreased 35%, or $4,293,375, to $8,020,799 in the first nine months of 2026 as compared to $12,314,174 in the first nine months of 2025. Sales in 2026 and 2025 by type were as follows:

	Revenue by Type	
	Nine Months Ended September 30	
	2026	2025
Residential contracts	$ 6,944,762	$ 11,203,996
Commercial contracts	204,417	139,319
Service revenue	871,620	970,859
	$ 8,020,799	$ 12,314,174

Residential contract sales decreased $4,259,234, or 38%, due to a 43% decrease in kilowatts installed and a 34% decrease in installations, partially offset by a 24% increase in battery attachment rates and a 6% increase in price per watt installed. In May 2025, Hawaii implemented a new Bring Your Own Device Plus (“BYOD Plus”) program. 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. The overall decrease in residential installations is due to the expiration of federal tax credits at December 31, 2025 under the passage of the One Big Beautiful Bill Act. Service revenue decreased $99,239, or 10%, due to a decrease in repair and replacement installations.

Gross profit decreased 47% to $1,879,878 in the first nine months of 2026 as compared to gross profit of $3,557,671 in the first nine months of 2025 due primarily to the decrease in revenue and decrease in gross margin. Gross margin decreased to 23.4% in the first nine months of 2026 compared to 28.9% in the first nine months of 2025, driven by an increase in labor and overhead costs as a percentage of revenue.

Selling, general and administrative expenses decreased 18% to $2,562,915 in the first nine months of 2026 (32% as a percentage of sales) as compared to $3,117,988 in the first nine months of 2025 (25% as a percentage of sales), due primarily to a decrease in general excise tax and selling expenses on lower revenue and personnel expenses on headcount reductions. Amortization expense remained flat at $1,068,750 in 2026 as compared to 2025.

Liquidity and Capital Resources

As of September 30, 2026, the Company had $2,787,088 in cash, restricted cash and cash equivalents. Of this amount, $680,296 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.

The Company had working capital deficit of $(5,346,732) at September 30, 2026, consisting of current assets of $11,610,421 and current liabilities of $16,957,153 compared to working capital of $1,066,408 at December 31, 2025.

Cash used in operating activities was $6,540,421 in the first nine months of 2026 as compared to $1,146,338 in the same period of 2025. 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 nine months ended September 30, 2026 included a decrease of accounts payable of $1,736,227, an increase in other accrued liabilities of $1,016,239 and a decrease in other assets of $842,786.

Net cash provided by investing activities was $33,732 in the first nine months of 2026.

Net cash provided by financing activities was $2,111,433 in the first nine months of 2026 compared to $5,716,316 provided by in the same period of 2025. Net cash provided by financing activities in the first nine months of 2026 was related to $2,700,700 in proceeds from the issuance of common stock under a PIPE offering and $800,000 in borrowings against the related party line of credit, partially offset by $1,195,512 in payments against loans payable and related party loans payable, including the settlement of the debt with a former SUNation NY shareholder and $254,359 in equity issuance costs. Net cash provided by financing activities in the first nine 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 $9,765,760 in payments against loans payable, $2,500,000 in payments of contingent consideration, and $267,391 in payments for the termination of warrants.

In connection with the SUNation NY 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 became 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 shall be payable in fiscal year 2026. On April 14, 2026 the Company entered into a debt conversion agreement in the aggregate amount of $1,200,000 of related party debt into restricted common stock, which reduced the Long-Term Note obligations thereunder.

Based on the Company's current financial position, 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 and 9, the Company raised capital and satisfied and reduced certain outstanding debt obligations during 2025 and 2026; 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. The Company was able to use the proceeds to pay off approximately $12.6 million in 2025 in outstanding debt and contingent liability obligations and since April 2025, the Company has further reduced certain debt obligations. However, it has not been sufficient to cover all of the Company's current and future obligations. Additional funding or other financing structures may not be available on terms acceptable to the Company, or at all. On June 9, 2026, the Company also closed on a private placement financing involving the issuance of 2,390,000 shares of common stock on an at market price basis (with no price or other reset features) in the aggregate gross amount of $2,700,700, before deducting placement agent fees and expenses. The use of the proceeds of the June 2026 private placement are for working capital and operating expenses.

If the Company is unable to raise additional funds, or further restructure remaining debt obligations, 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.

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, 2025. 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, 2025.

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, CFO, and CAO, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2025, 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, 2025, 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.

The following material weaknesses are identified:

- In prior years we identified material weaknesses in our internal control over financial reporting, and these material weaknesses persisted throughout the nine months ended September 30, 2026, 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.
- In the prior year we identified a material weakness as a result of an aggregation of control deficiencies in our Information Technology ("IT") controls, specifically around user access review, provisioning, change management, and cybersecurity of our accounting and customer resource management systems. 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. Additionally, we will work to design and implement formal policies and processes around our IT systems. 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 September 30, 2026, 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, 2025, 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 March 23, 2026 and subsequent quarterly reports filed thereafter on Form 10-Q.

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, 2025 (the "Form 10-K"), as well as our quarterly reports on Form 10-Q filed subsequent thereto, each of which could materially affect our business, financial condition or future results.

The risk factors set forth below are intended to update or supplement, as the case may be, our previously reported risk factors in our Form 10-K and quarterly reports on Form 10-Q filed subsequently thereto.

The proposed Merger will result in significant dilution to existing SUNation stockholders, who are estimated to collectively own approximately 1.7% of the combined company following the closing of the Merger.

If the Merger Proposal is adopted, we estimate that up to an aggregate of (a) 439,580,907 shares of SUNation Common Stock and (b) Rollover Warrants exercisable for 71,131,872 shares of SUNation Common Stock may be issued in connection with the Merger, representing up to 7,841% of the shares of SUNation Common Stock outstanding on the date hereof (assuming full exercise of the Rollover Warrants). This reflects an illustrative Exchange Ratio of 7.6248 SUNation shares for every 1 Suniva share. This estimate is subject to several assumptions that are subject to change, including that the Concurrent Financing is completed for an estimated aggregate purchase price of approximately $65 million and that the full amount of debt in the Debt Conversion will be converted into SUNation shares.

The issuance of such securities would result in significant dilution to SUNation stockholders in both economic ownership and voting power. Under the "Exchange Ratio" set forth in the Merger Agreement, upon the Closing of the proposed merger, on a pro forma basis and based upon the number of shares of SUNation Common Stock and Rollover Warrants expected to be issued in the Merger (subject to, among other things, the assumptions summarized above and subject to the further variables described below), pre-Merger Suniva stockholders are expected to own approximately 98.3% of the combined company and pre-Merger SUNation stockholders are expected to own approximately 1.7% of the combined company.

The percentage of the combined company that each party's stockholders will own following the closing is subject to adjustments as described in the Merger Agreement for the amount of SUNation's net cash at closing relative to a specified target, any shares converted from certain SUNation insider loans and proceeds received by Suniva and SUNation in pre-closing financings. In addition, the ownership percentages above do not reflect shares issuable to Lion Point Capital, LP, Suniva's controlling stockholder, in payment of a $16 million transaction completion fee. The fee is payable in five equal semiannual installments from February 1, 2027 through February 1, 2029 in shares of combined company common stock valued at $17.5978 per share of Suniva common stock, These issuances will further dilute all combined company stockholders, including former SUNation stockholders,

The pre-Merger Suniva stockholders, by virtue of their estimated approximate 98.3% ownership of the combined company, will have the ability to determine the outcome of substantially all matters submitted to a vote of SUNation stockholders without the consent or cooperation of existing SUNation stockholders. Existing SUNation stockholders will have minimal influence over corporate decisions, including the election of directors, approval of significant corporate transactions, amendments to certificate of incorporation or bylaws, and other matters requiring stockholder approval.

Furthermore, the significant disparity in post-Merger ownership may adversely affect the market price of SUNation Common Stock. The issuance of a substantial number of shares of SUNation Common Stock in connection with the Merger, or the perception that such issuance may occur, could depress the trading price of SUNation Common Stock. Existing SUNation stockholders who do not wish to remain invested following the Merger may seek to sell their shares, and there

can be no assurance that an active trading market will exist or that shares can be sold at prices acceptable to such shareholders.

The Exchange Ratio relating to the proposed Merger will not change or otherwise be adjusted based on the market price of SUNation Common Stock as the Exchange Ratio depends on the SUNation net cash at the closing, any shares converted from certain SUNation insider loans and proceeds received by Suniva and SUNation in pre-closing financings, not the market price of SUNation Common Stock. Therefore, the merger consideration at the closing may have a greater or lesser value than at the time the Merger Agreement was signed.

Under the Exchange Ratio in the Merger Agreement, upon the Closing, on a pro forma basis and based upon the number of shares of SUNation Common Stock and other securities expected to be issued in the proposed Merger, pre-Merger Suniva stockholders are expected to own approximately 98.3% of the combined company and pre-Merger SUNation stockholders are expected to own approximately 1.7% of the combined company. The percentage of the combined company that each party's stockholders will own following the closing is subject to adjustments as described in the Merger Agreement for the amount of SUNation's net cash at closing relative to a specified target, any shares converted from certain SUNation insider loans and proceeds received by Suniva and SUNation in pre-closing financings. If SUNation's net cash as of the closing is below the Parent Target Net Cash (as defined in the Merger Agreement) amount, the Exchange Ratio will be adjusted such that the number of shares issued to the pre-merger Suniva securityholders will be increased, and SUNation stockholders will own a smaller percentage of the combined company following the proposed Merger. If any new shares of SUNation Common Stock are issued from the conversion of certain insider loans in accordance with the terms of the Merger Agreement, the Exchange Ratio will be adjusted such that the pre-merger SUNation securityholders will own a larger percentage of the combined company following the Merger. In the event that Suniva completes pre-Merger financings, the Exchange Ratio will be adjusted such Suniva stockholders will own a larger percentage of the combined company following the Merger. In the event that SUNation completes pre-Merger financings, the Exchange Ratio will be adjusted such that the pre-merger SUNation securityholders will own a larger percentage of the combined company following the Merger. Additionally, certain pre-merger SUNation financings will increase SUNation's target net cash requirement at closing, which has the potential to reduce the ownership level of pre-merger SUNation securityholders in the combined company, because the amount by which actual net cash is below target reduces their ownership levels.

Any changes in the market price of SUNation Common Stock before the completion of the Merger will not affect the number of shares Suniva stockholders will be entitled to receive pursuant to the Merger Agreement. Therefore, if before the completion of the Merger, the market price of SUNation Common Stock increases from the market price on the date of the Merger Agreement, then Suniva stockholders could receive merger consideration with substantially more value for their shares of Suniva capital stock than the parties had negotiated when they established the Exchange Ratio. Similarly, if before the completion of the Merger the market price of SUNation Common Stock declines from the market price on the date of the Merger Agreement, then Suniva stockholders could receive merger consideration with substantially lower value. The Merger Agreement does not include a price-based termination right.

Failure to complete the proposed Merger may result in either SUNation or Suniva paying a termination fee to the other party, and could harm the Common Stock price of SUNation and future business and operations of each company.

If the Merger is not completed, SUNation and Suniva are subject to the following risks:

- if the Merger Agreement is terminated under specified circumstances, SUNation could be required to pay Suniva a termination fee of $1.0 million, or Suniva could be required to pay SUNation a termination fee of $1.0 million;
- the price of SUNation Common Stock may decline and could fluctuate significantly; and
- each party will still incur costs related to the Merger, such as financial advisor, legal and accounting fees, a majority of which must be paid even if the Merger is not completed.

If the Merger Agreement is terminated and the board of directors of SUNation or Suniva determines to seek another business combination, there can be no assurance that either SUNation or Suniva will be able to find another third party to transact a business combination with, yielding comparable or greater benefits.

If the conditions to the Merger are not satisfied or waived, the Merger may not occur.

Even if the Merger is approved by the stockholders of SUNation, specified conditions must be satisfied or, to the extent permitted by applicable law, waived to complete the Merger. The parties are not permitted to waive certain conditions, and certain conditions, if not satisfied, would be impracticable to waive as they are fundamental to the contemplated transactions. If the conditions are not satisfied or waived, the Merger may not occur or the closing may be delayed.

Failure to obtain stockholder approval could result in significant disruption of business operations.

If the Company does not obtain the necessary stockholder approval for the proposals related to the proposed Merger as set forth in the Merger Agreement or as otherwise related thereto, then the Company may be required to abandon the proposed Merger transactions, or they may not be completed by the deadline for completion set forth in the Merger Agreement. Any such abandonment or failure to close on time may have significant and adverse effects on the Company's business operations and could result in the loss of key assets and personnel, the threat of litigation over disagreements between the parties, and many or all of the negative consequences discussed throughout this document that would apply to the Company if it is unable to successfully consummate the proposed Merger and the transactions contemplated thereunder or that may apply regardless of whether the Company is able to successfully consummate the proposed Merger and the transactions contemplated thereby. The inability to secure the requisite stockholder approval could also undermine investor confidence, which may further negatively influence the Company's stock price and market reputation.

The Merger may be completed even though a material adverse effect may result from the announcement of the Merger, industry-wide changes or other causes.

In general, neither SUNation nor Suniva is obligated to complete the proposed Merger if there is a material adverse effect affecting the other party between June 5, 2026, the date of the Merger Agreement, and the closing of the proposed Merger. However, certain types of causes are generally excluded from the concept of a "material adverse effect." Such exclusions include but are not limited to changes in general economic or political conditions, industry wide changes, changes resulting from the announcement of the Merger, natural disasters, pandemics, other force majeure events, acts or threat of terrorism or war and changes in U.S. generally accepted accounting principles ("GAAP") or applicable law. Therefore, if any of these events were to occur and adversely affect SUNation or Suniva, the other party would still be obliged to consummate the closing of the proposed Merger notwithstanding such material adverse effect. If any such adverse effects occur and SUNation and Suniva consummate the closing of the Merger, the stock price of the combined company may suffer. This in turn may reduce the value of the Merger to the stockholders of SUNation, Suniva or both.

SUNation stockholders may not realize a benefit from the Merger commensurate with the ownership dilution they will experience in connection with the Merger, including the conversion of Suniva Common Stock issued in the Suniva pre-closing financing.

If the combined company is unable to realize the full strategic and financial benefits currently anticipated from the Merger, SUNation stockholders will have experienced substantial dilution of their ownership interests without receiving any commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined company is able to realize only part of the strategic and financial benefits currently anticipated from the Merger.

The future results of the combined company following the consummation of the proposed Merger and such related transactions may suffer if it cannot effectively manage its expanded operations, and the potential need to obtain sufficient capital for the expansion of the combined company's operations.

Assuming that the consummation of the proposed Merger and such related transactions occur, the size of the combined company's business is expected to be significantly greater than the current size of the Company's existing business. The combined company's future success will depend, in part, on its ability to manage these expanded operations, which may pose challenges for management, including challenges related to oversight of new operations and the associated increase in capital financing needs, expenditures and complexity. The combined company may also face heightened scrutiny from governmental and regulatory authorities as a result of its larger scale. However, there can be no assurance that the

combined company will be successful or that it will realize the operating efficiencies, revenue enhancements, or other benefits currently anticipated from the consummation of the Merger and such related transactions.

SUNation and Suniva will incur substantial costs related to the proposed Merger and integration of their businesses.

SUNation has incurred and expect to incur a number of non-recurring costs in furtherance of the consummation of the proposed Merger and transactions related thereto, including legal, financial advisory, accounting, consulting, and other advisory fees; regulatory filing fees; financial printing and other transaction-related costs. Some of these costs are payable by either SUNation or Suniva whether the proposed Merger or the transactions related thereto are completed or not. Additionally, the integration costs following the proposed Merger's completion may be substantial, and may include expenses related to facilities and systems consolidation, employment-related obligations, and efforts to maintain employee morale and retain key personnel. These costs may stem from the complex integration of numerous processes, policies, operations, technologies, and systems across areas such as purchasing, accounting, finance, payroll, compliance, treasury and vendor management, risk management, business operations, pricing, and employee benefits.

While SUNation and Suniva estimate a certain level of integration costs, many factors beyond their control could increase the total amount and timing of these expenses. Additionally, many of these costs are inherently difficult to estimate with precision. As a result, assuming that the proposed Merger and related transactions are consummated, the combined company may need to take charges against earnings following the Merger's consummation, and the amount and timing of such charges are uncertain. There can be no assurance that the transaction and integration costs will not outweigh any benefits of the consummation of the proposed Merger and related transactions, assuming that they occur.

The combined company may be unable to retain SUNation's and/or Suniva's personnel after the consummation of the proposed Merger and such related transactions.

Assuming that the consummation of the proposed Merger and such related transactions occurs, their eventual success will depend in-part on the combined company's ability to retain the talents and dedication of key employees currently employed by SUNation and Suniva. It is possible that these employees may decide not to remain with SUNation or Suniva, as applicable, while the proposed Merger and such related transactions are pending or with the combined company after the proposed Merger and such related transactions are consummated. If SUNation and Suniva are unable to retain key employees, including management, who are critical to the successful integration and future operations of the respective companies, the lines of business conducted by SUNation and Suniva prior to the consummation of the proposed Merger and such related transactions could face disruptions in their operations, loss of existing customers, loss of key information, expertise, or know-how, and unanticipated recruitment costs. In addition, if key employees terminate their employment following the consummation of the proposed Merger and such related transactions, the combined company's business activities may be adversely affected, and management's attention may be diverted from successfully hiring suitable replacements, all of which may cause the combined company's business to suffer. The combined company may be unable to locate or retain suitable replacements for any key employees who leave either company.

If the Merger is not completed, SUNation's stock price may decline significantly.

The market price of SUNation Common Stock is subject to significant fluctuations. Market prices for securities of solar and other clean technology companies have historically been particularly volatile. In addition, the market price of SUNation Common Stock will likely be volatile based on whether stockholders and other investors believe that SUNation can complete the Merger or otherwise raise additional capital to support SUNation's operations if the Merger is not consummated and another strategic transaction cannot be identified, negotiated and consummated in a timely manner, or at all. The volatility of the market price of SUNation Common Stock has been and may be exacerbated by low trading volume. Additional factors that may cause the market price of SUNation Common Stock to fluctuate include:

- the loss of key employees;
- future sales of its common stock;
- general and industry-specific economic conditions that may affect its expenditures;

- new regulations affecting the solar or clean technology industry;
- the failure to meet industry analyst expectations; and
- period-to-period fluctuations in financial results.

Moreover, the stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of individual companies. These broad market fluctuations may also adversely affect the trading price of SUNation Common Stock. In the past, following periods of volatility in the market price of a company's securities, stockholders have often instituted class action securities litigation against such companies.

SUNation securityholders will have a reduced ownership and voting interest in, and will exercise less influence over the management of, the combined company following the completion of the Merger as compared to their current ownership and voting interests in SUNation.

After the completion of the Merger, the current stockholders of SUNation will own a smaller percentage of the combined company than their ownership of SUNation prior to the Merger. Immediately after the Merger, SUNation stockholders as of immediately prior to the Merger are expected to own approximately 1.7% of the outstanding shares of capital stock of the combined company and former Suniva securityholders, including shares of Suniva Common Stock and preferred stock, are expected to own approximately 98.3% of the outstanding shares of capital stock of the combined company, subject to certain assumptions, including, but not limited to, SUNation's net cash as of closing being not less than the Parent Target Net Cash amount, any shares converted from certain SUNation insider loans and proceeds received by Suniva in the pre-closing financing. As a result, some stockholders will hold a smaller pro rata share and, therefore, a lower percentage of the voting stock of the combined company than such stockholder currently holds in SUNation as a stand-alone company.

During the pendency of the proposed Merger, SUNation may be limited in its ability to enter into a business combination with another party on more favorable terms because of restrictions in the Merger Agreement, which could adversely affect their respective business prospects.

Covenants in the Merger Agreement impede the ability of SUNation to make acquisitions during the pendency of the Merger, subject to specified exceptions. As a result, if the proposed Merger is not completed, the parties may be at a disadvantage to their competitors during that period. In addition, while the Merger Agreement is in effect, each party is generally prohibited from soliciting, seeking, initiating or knowingly encouraging, inducing or facilitating the communication, making, submission or announcement of any Takeover Proposal or taking any action that could reasonably be expected to lead to certain transactions involving a third party, including a merger, sale of assets or other business combination, subject to specified exceptions. Any such transactions could be favorable to such party's stockholders, but the parties may be unable to pursue them.

SUNation will be subject to business uncertainties and contractual restrictions while the proposed Merger and related transactions are pending.

Uncertainty about the success of consummation and the effect of consummation of the proposed Merger and such related transactions on employees and customers may have an adverse effect on SUNation. These uncertainties may impair SUNation ability to attract, retain, and motivate key personnel until the proposed Merger and such related transactions are completed, and could cause suppliers, business partners, and other parties that deal with SUNation to seek to change existing business relationships with SUNation. In addition, subject to certain exceptions, SUNation and Suniva have each agreed to operate their businesses in the ordinary course in all material respects and to refrain from taking certain actions that may adversely affect their ability to consummate the proposed Merger and such related transactions on a timely basis without the consent of the other party. These restrictions may prevent SUNation and Suniva from pursuing attractive

business opportunities that may arise prior to the completion of the proposed Merger and such related transactions. If any of the aforementioned risks were to materialize, they could lead to significant costs which may negatively impact each party's results of operations and financial condition if the parties are not successful in consummating the proposed Merger and such related transactions, and which may also cause material adverse effects on SUNation if the Merger and such related transactions are not consummated.

Certain provisions of the Merger Agreement may discourage third parties from submitting competing proposals, including proposals that may be superior to the transactions contemplated by the Merger Agreement.

The terms of the Merger Agreement prohibit each of SUNation and Suniva from soliciting competing proposals or cooperating with persons making unsolicited takeover proposals, except in limited circumstances. In addition, if SUNation terminates the Merger Agreement under specified circumstances, SUNation could be required to pay Suniva a termination fee of $1.0 million, or Suniva could be required to pay SUNation a termination fee of $1.0 million, and SUNation Energy may be required to pay a termination fee to Suniva. This termination fee may discourage third parties from submitting competing proposals to SUNation, Suniva or their respective stockholders, and may cause the SUNation or Suniva board of directors to be less inclined to recommend a competing proposal.

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

On April 14, 2026 the Board of Directors approved issuance of $1.2 million in restricted shares of the Company's common stock related to the conversion of a portion of the Company's Long-Term Note, pursuant to which (1) Mr. Scott Maskin was issued 554,712 shares of restricted common stock and (2) Mr. James Brennan was issued 123,254 shares of restricted common stock, each issuance at a price of $1.77 per share (a premium to both the stock price and 5-day prior closing average on April 13, 2026). In addition, such shares issued under the debt conversion agreement, are subject to a 6-month lock-up agreement, which is in addition to their other affiliate/control person restrictions.

On June 7, 2026, the Company entered into a securities purchase agreement ("SPA") with certain institutional and accredited investors for the purchase and sale of an aggregate of 2,390,000 in shares of common stock of the Company, par value $0.05 per share (the "PIPE Shares"), for gross proceeds of $2,700,700, which PIPE Shares were priced at market at $1.13 per share, based on the closing price of the Company's Common Stock on the Nasdaq Capital Market on June 5, 2026. There are no warrants related to this issuance, and no price adjustment features related to the PIPE Shares. The PIPE Shares have not been registered under the Securities Act of 1933 and were offered pursuant to exemption from registration. Concurrently with the entry into the SPA, the Company entered into a Registration Rights Agreement ("RRA") with the PIPE investors for the registration for resale of the PIPE Shares pursuant to a registration statement. A copy of the SPA and RRA are included as exhibits to the Company's Form 8-K, dated June 8, 2026, and referenced in the exhibit index to this quarterly report on Form 10-Q.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Not Applicable

Trading Arrangements

During the three months ended September 30, 2026, 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:

1.1	Form of Placement Agency Agreement, dated June 5, 2026 (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed on June 8, 2026)
2.1	Agreement and Plan of Merger dated as of June 5, 2026, by and among SUNation Energy, Inc., SUNation Merger Sub, Inc. and Suniva, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on June 8, 2026)
2.2	First Amendment to Agreement and Plan of Merger dated as of September 4, 2026, by and among SUNation Energy, Inc., SUNation Merger Sub, Inc. and Suniva, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on September 8, 2026)
10.1	Form of Voting Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 8, 2026)
10.2	Securities Purchase Agreement, dated June 7, 2026 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 8, 2026)
10.3	Registration Rights Agreement, dated June 7, 2026 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 8, 2026)
10.4	ATM Sales Agreement, dated April 8, 2026, between SUNation Energy, Inc. and Maxim Group, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 9, 2026)
10.5	Amendment to Secured Revolving Line of Credit Agreement, dated April 14, 2026 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 15, 2026)
10.6	Amended Secured Revolving Line of Credit Note, dated April 14, 2026 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 15, 2026)
10.7	Debt Conversion Agreement, dated April 14, 2026 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 15, 2026)
10.8	Amendment to Secured Revolving Line of Credit Agreement, dated October 15, 2026 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 15, 2026)
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: November 20, 2026

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

Date: November 20, 2026

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: November 20, 2026

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: November 20, 2026

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 September 30, 2026 (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
Chief Executive Officer

Date: November 20, 2026

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

Date: November 20, 2026