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

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2024

o 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)	(I.R.S. Employer Identification No.)

171 Remington Boulevard, Ronkonkoma, NY 11779
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (952) 996-1674

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, $.05 par value	SUNE	Nasdaq Stock Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES ¨ NO x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ¨ NO x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or Section 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 x 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES x NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of " large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer ¨ Accelerated Filer ¨ Non-Accelerated Filer x
Smaller Reporting Company x 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ¨

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately $9,666,000 based upon the closing sale price of the Company's common stock on the Nasdaq Capital Market on June 30, 2024.

As of April 15, 2025 there were outstanding 672,799,910 shares of the Registrant's common stock.

Documents Incorporated by Reference

Portions of the Registrant's definitive proxy statement relating to its 2025 Annual Meeting of Shareholders, if filed with the Securities and Exchange Commission within 120 days after December 31, 2024, are incorporated by reference into Part III of this Form 10-K, or such Part III information will be provided in an amendment filed on Form 10-K/A within 120 days after December 31, 2024.

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RISK FACTOR SUMMARY

Below is a summary of the material risks to our business, operations and the investment in our common stock. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under Part I, Item 1A. "Risk Factors" and should be carefully considered, together with other information in this Annual Report on Form 10-K in its entirety before making investment decisions regarding our common stock.

Risks Related to the Company's Common Stock

- Our shares will be subject to potential delisting if we do not maintain the listing requirements of the Nasdaq Capital Market.
- Shareholders may be diluted if additional capital stock is issued to raise capital, including to finance acquisitions, repay debt or in connection with strategic transactions.
- There is no public market for the common warrants or pre-funded warrants issued and outstanding.
- Holders of our common warrants and pre-funded warrants will have no rights as a common stockholder until they acquire our common stock.
- We may be required to repurchase the common warrants issued in February 2025, which may prevent or deter a third party from acquiring us.
- Future sales of Company shares or securities exercisable for shares could cause the Company's stock price to decline.
- Our management concluded that our disclosure controls and procedures and our internal control over financial reporting were not effective as of December 31, 2024 and 2023 due to material weaknesses in internal control over financial reporting. If we are unable to remediate these material weaknesses and maintain an effective system of disclosure controls and procedures and internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and materially and adversely affect our business and financial results.
- The price of the Company's common stock and trading volume may be volatile and may negatively impact shareholders' value of their investment.
- The Company may issue additional common stock resulting in significant existing stock ownership dilution.
- Anti-Takeover Effects of Delaware Law, the Certificate of Incorporation and the Bylaws may discourage or prevent a change in control, even if beneficial to our shareholders and could cause our stock price to decline.
- The Company's board of directors is authorized to issue and designate shares of preferred stock without further shareholder approval.

Risks Relating to the Company's Business

- The Company's growth strategy depends on the continued origination of solar installation agreements.
- If the Company fails to manage its operations and growth effectively, it may be unable to execute its business plan, maintain high levels of customer service or adequately address competitive challenges.
- The Company needs to raise additional capital to fund its operations and repay its obligations, which funding may not be available on favorable terms or at all and may lead to substantial dilution to the Company's existing shareholders. Further, there is substantial doubt about the Company's ability to continue as a going concern, which conditions may adversely affect the Company's stock price and its ability to raise capital.
- The Company depends on a limited number of suppliers of solar energy system components and technologies to adequately meet demand for its solar energy systems.
- Increases in the cost of the Company's solar energy systems due to tariffs and other trade restrictions imposed by the U.S. and foreign governments could have a material adverse effect on its business, financial condition and results of operations.
- The Company's operating results and its ability to grow may fluctuate from quarter to quarter and year to year, which could make its future performance difficult to predict and could cause its operating results for a particular period to fall below expectations.
- The Company may be required to record an impairment charge on our goodwill in the future.
- We may not realize the anticipated benefits of past or future investments, strategic transactions, or acquisitions, and integration of these acquisitions may disrupt our business and our management.
- If the Company is unable to make net profitable acquisitions and on economically acceptable terms, its future growth would be limited, and any acquisitions it may make could reduce, rather than increase, its cash flows.
- Product liability and property damage claims against the Company or accidents could result in adverse publicity and potentially significant monetary damages.
- Changes in our business strategy or restructuring of our businesses may increase our costs or otherwise affect our businesses.
- We may not fully realize the anticipated benefits from our restructuring efforts begun in 2024, which continue into 2025.
- The Company will not be able to insure against all potential risks and it may become subject to higher insurance premiums.
- Damage to the Company's brand and reputation or change or loss of use of its brand could harm its business and results of operations.

- The loss of one or more members of the Company’s senior management or key employees may adversely affect its ability to implement its strategy.
- The Company’s inability to protect its intellectual property could adversely affect its business. The Company may also be subject to intellectual property rights claims by third parties, which are extremely costly to defend, could require it to pay significant damages and could limit its ability to use certain technologies.
- The Company may be subject to interruptions or failures in its information technology systems.
- The Company’s information technology systems may be exposed to various cybersecurity risks and other disruptions that could impair its ability to operate, adversely affect its business, and damage its brand and reputation.
- A 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.
- Litigation brought by third parties claiming breach of contract, contractual defaults or other claims for may be costly and time consuming.

Risks Related to the Solar Industry

- If sufficient additional demand for residential solar energy systems does not develop or takes longer to develop than the Company anticipates, its ability to originate solar installation agreements may decrease.

- The Company’s business prospects are dependent in part on a continuing decline in the cost of solar energy system components and the Company’s business may be adversely affected to the extent the cost of these components stabilize or increase in the future, whether through international supply disruptions, conflicts, trade wars, new tariffs or otherwise.
- The Company faces 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 have a materially adverse effect on demand for the Company’s offerings.
- A material reduction in the retail price of electricity charged by electric utilities or other retail electricity providers could harm the Company’s business, financial condition and results of operations.
- Terrorist or cyberattacks, which are increasing, against centralized utilities could adversely affect the Company’s business.
- Climate change may have long-term impacts on the Company’s business, industry, and the global economy.

Risks Related to Regulations

- Increases in the cost of the Company’s solar energy systems due to tariffs imposed by the U.S. and foreign governments could have a material adverse effect on its business, financial condition and results of operations.
- The Company is 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 the Company’s solar energy systems and adversely impact its ability to originate new solar installation agreements.
- The Company relies on net metering and related policies to sell solar systems to its customers in most of its current markets, and changes to policies governing net metering may significantly reduce demand for electricity from residential solar energy systems and thus for the Company’s installation services.
- A customer’s decision to procure installation services from the Company 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 its ability to monetize them could adversely impact its 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 the Company’s 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 business is subject to consumer protection laws. Such laws and regulatory enforcement policies and priorities are subject to change, which may negatively impact our business.

Risks Related to our Bitcoin Strategy

- Our bitcoin acquisition strategy may expose us to various risks associated with bitcoin.

- We may use the net proceeds from our offerings to purchase bitcoin, the price of which has been, and will likely continue to be, highly volatile.
- Bitcoin and other digital assets are novel assets, and are subject to significant legal, commercial, regulatory and technical uncertainty.
- Regulatory change reclassifying bitcoin as a security could lead to our classification as an "investment company" under the Investment Company Act of 1940, as amended, or the 1940 Act, and could adversely affect the market price of bitcoin and the market price of our Common Stock.
- We may be subject to regulatory developments related to crypto assets and crypto asset markets, which could adversely affect our business, financial condition, and results of operations.
- Our intended bitcoin holdings may be less liquid than our existing cash and cash equivalents and may not be able to serve as a source of liquidity for us to the same extent as cash and cash equivalents.
- Due to the unregulated nature and lack of transparency surrounding the operations of many bitcoin trading venues, bitcoin trading venues may experience greater fraud, security failures or regulatory or operational problems than trading venues for more established asset classes, which may result in a loss of confidence in bitcoin trading venues and adversely affect the value of our bitcoin.
- If we or our third-party service providers experience a security breach or cyberattack and unauthorized parties obtain access to our bitcoin, or if our private keys are lost or destroyed, or other similar circumstances or events occur, we may lose some or all of our bitcoin and our financial condition and results of operations could be materially adversely affected.

PART I

ITEM 1. BUSINESS

OVERVIEW

SUNation Energy, Inc. (herein referred to as "SUNation Energy," "SUNE," "our," "we" or the "Company") is focused on growing leading local and regional solar, storage, and energy services companies nationwide. The SUNation Energy vision is the provision of exemplary client service while powering the energy transition through grass-root, community-centric growth of solar electricity paired with battery storage. Our portfolio of brands (SUNation, Hawaii Energy Connection, E-Gear) provide homeowners and businesses of all sizes with an end-to-end product offering spanning solar, battery storage, and grid services. SUNation Energy, Inc.'s markets are New York, Florida, and Hawaii, and the company operates proudly within three (3) U.S. states.

Our primary customers are residential homeowners. We also provide solar energy systems to commercial owners and other municipal customers.

Corporate History

SUNation Energy is a Delaware corporation originally organized in 1969 that operates directly and through its subsidiaries located in the United States ("U.S.").

On March 28, 2022, the Company completed its previously announced merger transaction with Pineapple Energy LLC ("Pineapple Energy") in accordance with the terms of that certain Agreement and Plan of Merger dated March 1, 2021, as amended by an Amendment No. 1 to Merger Agreement dated December 16, 2021 (collectively the "merger agreement"), by and among the Company, Helios Merger Co., a Delaware corporation and a wholly-owned subsidiary of the Company (the "Merger Sub"), Pineapple Energy LLC, a Delaware limited liability company, Lake Street Solar LLC as the Members' Representative, and Randall D. Sampson as the Shareholders' Representative, pursuant to which Merger Sub merged with and into Pineapple Energy, with Pineapple Energy surviving the merger as a wholly-owned subsidiary of the Company (the "merger"). Following the closing of the merger (the "Closing") the Company changed its name from Communications Systems, Inc. to Pineapple Holdings, Inc. and commenced doing business using the Pineapple name, and subsequently, on April 13, 2022, changed its name to Pineapple Energy Inc.

In addition, on March 28, 2022 and immediately prior to the closing of the merger, Pineapple Energy completed its acquisition ("HEC Asset Acquisition") of substantially all of the assets of two Hawaii-based solar energy companies, HEC and E-Gear. On November 9, 2022, the Company purchased the equity of New York-based SUNation Solar Systems, Inc. and five of its affiliated entities (collectively "SUNation").

On November 14, 2024, the Company filed articles of conversion with the Secretary of State of the State of Minnesota and filed a certificate of conversion with the Secretary of State of the State of Delaware changing its jurisdiction of incorporation from Minnesota to Delaware (the "Reincorporation"), as well as having filed a Certificate of Incorporation with the Secretary of State of the State of Delaware on this same date. Concurrently with the Reincorporation, the Company also effectuated a change to its name from Pineapple Energy, Inc. to SUNation Energy, Inc., and to its stock trading symbol from PEGY to SUNE, effective November 19, 2024.

Pursuant to the merger agreement, the Company sold substantially all of its JDL Technologies, Inc. ("JDL") and Ecessa Corporation ("Ecessa") businesses on June 30, 2023. Because the Company was working to divest such assets pursuant to the merger agreement, it previously met the criteria to report the operations of these businesses as discontinued operations. See Note 6 of the Notes to the Consolidated Financial Statements, "Discontinued Operations." As a result, unless otherwise noted, all information in this Form 10-K related to the JDL and Ecessa businesses is discussed and presented as discontinued operations and the Company's remaining business operations are reported as continuing operations.

Our Strategy

Our strategy is designed to provide customers with sustainable energy security by leveraging our people, technology, and processes to deliver solutions that improve the performance, increase the reliability, and reduce the cost of energy. Key elements of our strategy include:

- **Capitalizing on the opportunity for industry and regional consolidation.** Residential solar is a fragmented industry, with over 4,000 contractors nationwide. We believe the Sunrun-Vivint merger in 2020 started an era of consolidation and the positive impact of scale-expansion. According to Wood Mackenzie, as of 2022 Q2, 70%+ of the residential solar market is served by a regional or local installer. We believe there is a tremendous opportunity for a consolidator to rapidly scale its business and become one of the most recognized brands in the industry through acquiring, integrating, and growing leading local and regional solar sales and installation companies.

- **Leverage and continue to lower our customer acquisition costs through referral programs.** We already have what we believe are premier referral rates, with over 50% of installed jobs in 2023 and 2024 coming from referrals or repeat customers. We believe that our existing HEC and SUNation portfolio companies form a foundation to drive improved referral performance across the network of companies we acquire, further increasing our referral rates and lowering our overall customer acquisition cost.
- **Continue to grow our operations to achieve economies of scale.** Residential and Commercial solar is like many industries in that cost-of-goods-sold is a significant expense, and companies with greater scale can enjoy significantly lower costs throughout their equipment supply chain. As we grow both organically and through acquisitions, we expect to lower the costs of acquiring key input products such as modules, inverters, and electrical balance-of-systems components, which we anticipate should allow us to accelerate growth through lower pricing and enhanced profit margins. With scalable shared services (e.g., accounting, HR, policy, marketing, legal, IT), we believe our current approach of organic growth enhanced by acquisitions will lead to profitability and cash generation. We are also able to help our customers access various options to finance their acquisition of a solar system through referrals to a variety of solar finance companies.
- **Explore potential opportunities outside of solar to become a one-stop shop for consumers' home and energy needs.** As we continue to grow our customer base, we may have new opportunities for incremental revenue generation by cross-selling ancillary market products such as more energy storage and service contracts on orphaned systems (customers whose original solar contractor is no longer in business).

We believe that the following key strengths of our business position us to execute on our M&A roll-up strategy and to distinguish us from competitors.

- **Customer centric approach in market, leading to competitive customer acquisition costs.** SUNation Energy seeks to put the customer above all else. Our installers complete offerings in-house as full-service installers to have total control of the customer experience. Our Company offers transparent, clear sales agreements and has invested in digital tools to support customers along the installation journey. Our installers are active in their local communities to build a trusted brand. These activities lead to satisfied customers, as demonstrated by a high average referral rate and favorable online reviews, helping to lower future customer acquisition costs.
- **A leading vendor for cutting-edge product offerings.** We are a leading vendor for cutting-edge product offerings from Enphase, Tesla, FranklinWH, and other large solar product providers. As an experienced operator in the residential solar industry, we have built relationships with these large solar product providers.
- **Seasoned and experienced management team.** We have a strong leadership team, with deep experience in residential solar and M&A. Our chief executive officer grew our New York business into the third largest solar provider in one of the most dynamic markets in the country. Our chief operating officer and chief financial officer is a seasoned leader in the M&A, finance and solar spaces.

<u>Our Products and Services</u>

The primary product we offer to customers is a photovoltaic solar energy system, which is almost always installed on the roof, although can at times be ground mounted. Solar panels, also called modules, generate direct-current electricity when they are struck by sunlight. This direct current ("DC") is sent to an inverter, which converts the DC electricity into alternating-current ("AC") electricity, which is the type of electricity that is needed to provide power to outlets and run home appliances and equipment The AC flows from the inverter to the home's main electrical panel, where it is then used to supply the home, business, or institution's current power needs. If there is a shortfall, the home draws the remainder needed from the traditional utility connection, often referred to as the "grid." If the home system has excess production, the surplus is usually exported back to the grid. Residential solar systems typically provide cost savings to customers because the system's roof-panels generate power from the sun instead of customer's needing to purchase power from the utility. In addition, customers generally receive tax incentives and credits for the excess generation provided back to the utility.

Battery storage is an increasingly important piece of our offering. Lithium-ion batteries store excess solar generated electricity on the residential premises, as opposed to sending it back to the grid. This can generate economic benefits in markets with utility time-of-use ("TOU") rates, whereby a homeowner is compensated at a low rate during the day for sending solar to the grid but would be charged a high rate in the evening for drawing electricity from the grid. In TOU markets, customers can store their excess power during the day and then utilize the stored power at night, thus saving money. An equally important benefit of pairing a battery with solar is that a battery will keep powering a customer's home during a grid outage. A solar system alone will not continue providing a home with electricity if the grid is down as the utility company establishes automatic disconnects to ensure that no live current is sent back into the grid for safety reasons. When a battery is added, the system can automatically and nearly-instantaneously become a self-contained micro-grid during an outage. The home can continue utilizing the electricity generated by the panels, as well as electricity stored in the battery when the sun is not shining. In addition, the excess production from the panels during the day can be used to recharge a battery that was depleted overnight.

In the Hawaiian market we also offer energy management control devices on solar systems that are paired with batteries. This is an emerging part of the business, but soon we believe we will be able to help homeowners generate ongoing revenue streams by aggregating their batteries into a fleet, thus creating a "virtual power plant" and selling grid services to the utility. We have proprietary technology in this area, strong relationships with regulators and utilities.

Residential Customers Agreements

The majority of SUNation Energy's revenue (82% of 2024 consolidated revenue) comes from photovoltaic solar energy systems and batteries for residential homeowners. The size of our residential installations vary by location. In 2024, the average system size installed was 6.1 kilowatts for HEC customers in Hawaii and 11.4 kilowatts for SUNation's regional customers on Long Island, New York.

Historically, most residential homeowners have chosen to own their home system rather than pursue a third-party ownership model. The Company believes that it has historically been best for customers to own their own systems, but recognizes that some customers do not want to own their systems.

For customers pursuing the home ownership model, these customers typically pursue loan financing, although a small proportion pay in cash. Pineapple assists customers in obtaining loan financing options through our relationships with diverse funding sources. Under these loan financing agreements, there is typically no down-payment or upfront cost to the homeowner. A "dealer fee" is typically rolled into the principal balance, and that amount is amortized over the tenure of the loan. Customers will pay for this amount financed plus a finance charge through a monthly payment to a financing supplier.

Under the customer loan scenario, we receive cash payments from the loan company upon completion of various milestones during the installation process.

In addition to our residential offerings, the Company has a distinct roofing business within the New York market. This division offers vertically integrated roofing services alongside our solar and storage options. Thanks to this distinction, our roofing services allow for the diversification of our product offerings, offering our regional business the chance for additional revenue opportunities.

To showcase workmanship and the Company's commitment to quality, the Company has worked alongside General Aniline & Film ("GAF"), a respected industry leader in the roofing field, to climb up their partnership ranks. Since launch, the Company has reached the upper echelon of GAF installer status tiers and is being recognized for its quality work in the field.

Commercial and Industrial Contracts

SUNation Energy, through its regional business entities, actively develops and installs photovoltaic (PV) arrays and other renewable energy solutions for commercial, industrial, and institutional facilities across both the New York and Hawaii markets. Projects span a wide range of property types—including office buildings, warehouses, schools, and non-profit organizations—and are tailored to meet customer needs through various system configurations, including rooftop installations, ground-mounted arrays, and solar carports.

The nature of the commercial business is highly complex, and has a significantly different timeline, permitting process, and labor standards as compared to solar development and deployment in the residential spaces. As a result of these complex nuances, the Company has a seasoned commercial leadership team that oversees a dedicated department whose sole focus is on operations, installation, project management and development of commercial, institutional, and industrial sites.

In addition to the development of commercial projects, the Company has worked with stakeholders in the private and public sectors to offer community solar, which distributes the benefits of renewable energy that is produced on larger sites to ratepayers who have opted in at a competitively-priced market rate, as well as shaping policy actions across the local, state, and federal governments that are favorable towards the mass adoption of green technology.

As a result of the U.S. Inflation Reduction Act, which was passed by Congress and signed into law by then-President Joe Biden in 2022, commercial solar opportunities have grown as more institutional uses, including churches, private schools, and non-profit organizations, have become both eligible and aware of governmental incentives to enhance solar adoption across the country.

Service of Existing and Orphaned Systems

SUNation Energy, through its regional businesses, also offers service, repair and preventative maintenance of solar systems, batteries, and other related components. Within the industry, these service operations are a unique differentiator that sets the Company apart from its peers as most solar operators in the Company's key markets do not seek to maintain and/or monitor the performance of existing systems for their customers and/or non-customers.

The Company actively services and repairs the systems of competitor systems, as is technically feasible based on component type, age, and staff qualifications and training. With over twenty years in business, the Company has found that as other solar providers have exited the market or have gone out of business, there has been ample consumer demand for these types of services, and these operations offer enhanced and diversified revenue opportunities.

Competition

In the solar installation market, we compete with companies that offer products like ours. Some of these companies have greater financial resources, operational experience, and technical capabilities than we do. When bidding for solar installation projects, however, our current experience suggests that there is no clear dominant or preferred competitor in the markets in which we compete. We do not believe that any competitor has more than 25% of market share in the regions in which we operate. We compete with other solar installers on pricing, service, warranty, and the ability to arrange financing. We also compete, on a cost basis, with traditional utilities that supply electricity to our potential customers and with companies that are not regulated like traditional utilities but that have access to the traditional utility electricity transmission and distribution infrastructure pursuant to state and local pro-competitive and consumer choice policies. Our advantage over traditional utilities is that we offer customers the opportunity to create their own electricity and reduce dependency on the traditional electrical grid. We compete with these traditional utilities primarily based on price (cents per kilowatt hour), predictability of future prices, the backup power capabilities of our battery storage solution and the ease by which customers can switch to electricity generated by our solar energy systems.

We believe we are a strong competitor, but the marketplace is comprised of many companies. There are over 4,000 residential solar sales and installation companies in the U.S., and most residential solar sales are competitive with customers receiving quotes from multiple companies.

We also compete with (i) companies that are not regulated like traditional utilities but that have access to the traditional utility electricity transmission and distribution infrastructure pursuant to state and local pro-competitive and consumer choice policies and (ii) solar companies with business models that are like ours. Some customers might choose to subscribe to a community solar project or renewable subscriber program with these companies or their utilities, instead of installing a solar energy system on their home, which could affect our sales. Additionally, some utilities offer generation portfolios that are increasingly renewable in nature. We believe that we compete favorably with these companies based on our unique multi-channel approach and differentiated customer experience.

We also face competition from: purely sales organizations that acquire customers and then subcontract out the installation of solar energy systems; from those installation businesses that seek financing from external parties; from large construction companies and utilities; and from sophisticated electrical and roofing companies.

Intellectual Property

We hold registered trademarks for, among others, “SUNation”, “SUNation Energy”, “Hawaii Energy Connection,” “SUNation Solar Systems, Inc.,” “Sungevity,” and “Horizon Solar Power.” These trademarks are important to our regional branding and growth strategy.

Government Regulation

We are not regulated as a public utility in the U.S. under applicable national, state, or other local regulatory regimes where we conduct business.

To install systems, we obtain interconnection permission from the applicable local primary electric utility. Depending on the size of the solar energy system and local law requirements, interconnection permission is provided by the local utility directly to us and/or our customers. In almost all cases, interconnection permissions are issued based on a standard process that has been pre-approved by the local public utility commission or other regulatory body with jurisdiction over net metering policies. As such, no additional regulatory approvals are required once interconnection permission is given.

Our operations are subject to stringent and complex federal, state, and local laws, including regulations governing the occupational health and safety of our employees and wage regulations. For example, we are subject to the requirements of the federal Occupational Safety and Health Act, as amended (“OSHA”), the U.S. Department of Transportation (“DOT”), and comparable state laws that protect and regulate employee health and safety. We endeavor to maintain compliance with applicable DOT, OSHA, and other comparable government regulations.

Government Incentives

Federal, state, and local government bodies provide incentives, including rebates, tax credits, and other financial incentives, to catalyze customer acceptance of solar energy as an alternative to utility-provided power.

Some of the most significant federal incentives are sourced from the Inflation Reduction Act of 2022 (“IRA”). Among other provisions, the IRA extended the Investment Tax Credit (“ITC”) for homeowners. Qualifying homeowners who purchase a residential solar energy system and/or energy storage system can receive a 30% tax credit, returning a material portion of purchase price to homeowners. This 30% tax credit lasts until 2033 before stepping down to 26% in 2033, 22% in 2034, and 0% in 2035, unless extended again by Congress. Since its inception in 2005, the ITC has already been extended three times.

At the state and local level, one of the key polices in place in many states that have enabled the growth of distributed solar is net metering. Net metering provides significant value to certain customers with solar energy systems for the electricity generated by their systems but not directly consumed on site. Net metering allows a customer to pay the local electric utility only for power usage net of excess production from the customer's solar energy system. Customers receive a credit for the energy an interconnected solar energy system generates in excess of that needed by the home or business, which is provided to the electrical grid.

In addition to net metering, many states have enacted programs to further compensate homeowners who generate their own clean electricity for their contributions to society via their production of carbon-free renewable electricity. The mechanisms can vary, but solar renewable energy certificates (“SREC”) or production credits are two of the more common paths.

More than half of the states, and many local jurisdictions, have established property tax incentives for renewable energy systems that include exemptions, exclusions, abatements, and credits. Approximately 30 states and the District of Columbia have adopted a renewable portfolio standard (and eight other states have some voluntary goal) that requires regulated utilities to procure a specified percentage of total electricity delivered in the state from eligible renewable energy sources, such as solar energy systems, by a specified date.

Human Capital

As of March 31, 2025, the Company employed 189 people. We consider our relations with our employees to be good. None of our employees are currently represented by a labor union.

The Company aims to attract and retain qualified personnel and provides wages and benefits that are competitive locally to reward employees for performance. The Company values innovation, inclusion and diversity, safety and engagement as they attract, develop, and retain the best talent.

The health and safety of our employees is a top priority of our leaders. We believe the Company has generally been successful implementing proactive measures to protect the health and safety of its employees while maintaining business continuity and high levels of service to our customers.

Available Information

The Company maintains a website at www.sunation.com/corporate. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on our website as soon as reasonably practicable after these documents are filed electronically with the Securities and Exchange Commission (“SEC”). To obtain copies of these reports, go to www.ir.sunation.com and click on “Financial Info,” then click on “Financial Results” to view all of our current EDGAR reports.

The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding issuers, like SUNation Energy, that file electronically with the SEC. The SEC’s website is www.sec.gov.

ITEM 1A. RISK FACTORS

Certain statements contained in this Annual Report on Form 10-K are “forward-looking” statements within the meaning of and in reliance on the Private Securities Litigation Reform Act of 1995, which provides a “safe harbor” for forward-looking statements. Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors, including those factors discussed below.

Risks Related to the Company’s Common Stock

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

The shares of our common stock are listed on the Nasdaq Capital Market, or Nasdaq. Nasdaq has rules for continued listing, including, without limitation, minimum market capitalization and other requirements. Failure to maintain our listing, or de-listing from Nasdaq, would make it more difficult for shareholders to dispose of our common stock and more difficult to obtain accurate price quotations on our common stock. This could have an adverse effect on the price of our common stock. Our ability to issue additional securities for financing or other purposes, or otherwise to arrange for any financing we may need in the future, may also be materially and adversely affected if our common stock is not traded on a national securities exchange. On April 11, 2025, we received a new non-compliance notice notifying the Company that, for the 30 consecutive business day period immediately preceding deficiency letter, the Company's common stock had not maintained a minimum closing bid price of $1.00 per share (the "Minimum Bid Price Requirement") and, as a result, does not comply with Listing Rule 5550(a)(2) (the "Rule"). Normally, a company would be afforded a 180-calendar day period ("Cure Period") to demonstrate compliance with such deficiency; however, pursuant to Listing Rule 5810(c)(3)(A)(iv), the Company is not eligible for a customary Cure Period specified in Rule 5810(c)(3)(A) due to the fact that the Company has effected a reverse stock split over the prior one-year period or has effected one or more reverse stock splits over the prior two-year period with a cumulative ratio of 250 shares or more to one.. Instead, the Company is offered an opportunity to appeal any deficiency related to a delisting determination to Nasdaq within seven days from receipt of the non-compliance notice. Accordingly, unless the Company timely requests a hearing before a Hearings Panel, the Company's securities would be subject to suspension/delisting. The Company intends to timely request a hearing before the Hearing Panel. While the hearing request will automatically stay any suspension or delisting action pending the hearing and the expiration of any additional extension period if granted by the Panel following the hearing, there can be no assurance that the Panel will grant the Company an additional extension period or that the Company will ultimately regain compliance with all applicable requirements for continued listing on The Nasdaq Capital Market. Additionally, to this end, the stockholders of the Company had approved a share consolidation on April 3, 2025 that has been effectuated within the discretion of the board of directors of the Company and, if such action ultimately resolves the above noted Nasdaq listing compliance deficiency prior to such hearing date, then we may be mooted out of the hearing; however, there can be no assurance that this action by us will result n regaining compliance with the deficiency for a sufficiently long period, or that the we may be delisted despite taking all such remedial actions to avoid such a negative result.

Shareholders may be diluted if additional capital stock is issued to raise capital, including to finance acquisitions, repay debt or in connection with strategic transactions.

We intend to seek to raise additional funds for our operations, to finance acquisitions, repay existing debt or to develop strategic relationships by issuing equity or convertible debt securities, which would reduce the percentage ownership of our existing stockholders. Our board of directors has the authority, without action or vote of the stockholders, to issue all or any part of our authorized but unissued shares of common or preferred stock. Following our recent shareholder approval, our amended and restated certificate of incorporation authorizes us to issue up to 1,000,000,000 shares of common stock and 3,000,000 shares of preferred stock. Future issuances of common or preferred stock would reduce your influence over matters on which stockholders vote and would be dilutive to earnings per share. In addition, any newly issued preferred stock could have rights, preferences and privileges senior to those of the common stock. Those rights, preferences and privileges could include, among other things, the establishment of dividends that must be paid prior to declaring or paying dividends or other distributions to holders of our common stock or providing for preferential liquidation rights. These rights, preferences and privileges could negatively affect the rights of holders of our common stock, and the right to convert such preferred stock into shares of our common stock at a rate or price that would have a dilutive effect on the outstanding shares of our common stock.

There is no public market for the common warrants or pre-funded warrants issued and outstanding.

There is no established public trading market for the common warrants or pre-funded warrants previously issued by us, and we do not expect a market to develop. In addition, we do not intend to apply to list any of our outstanding warrants on any securities exchange or nationally recognized trading system, including The Nasdaq Stock Market. Without an active market, the liquidity of our issued and outstanding warrants will be limited.

Holders of our common warrants and pre-funded warrants will have no rights as a common stockholder until they acquire our common stock.

Until holders of our issued and outstanding warrants acquire shares of our common stock upon exercise of such warrants, the holders will have no rights with respect to shares of our common stock issuable upon exercise of such warrants. Upon exercise of the warrants, holders will be entitled to exercise the rights of a common stockholder only as to matters for which the record date occurs after the exercise date.

We may be required to repurchase the common warrants issued in February 2025, which may prevent or deter a third party from acquiring us.

The February 2025 issued common warrants provide that in the event of a "Fundamental Transaction" (as defined in the related warrant agreement, each common warrant holder will have the right at any time concurrently with, or within 30 days after, the consummation of the Fundamental Transaction (or, if later, the date of the public announcement of the applicable Fundamental Transaction), to require us to repurchase the common warrant for a purchase price in cash equal to the Black-Scholes value (as calculated under the warrant agreement) of the then remaining unexercised portion of such common warrant on the date of such

Fundamental Transaction, which may materially adversely affect our financial condition and/or results of operations and may prevent or deter a third party from acquiring us.

Future sales of Company shares or securities exercisable for shares could cause the Company's stock price to decline.

If shareholders of the Company, sell, or indicate an intention to sell, substantial amounts of the Company's common stock in the public market, the trading price of the common stock of the Company could decline. Dilution and potential dilution, the availability of a large number of shares for sale, and the possibility of additional issuances and sales of the Company's common stock may negatively affect both the trading price and liquidity of the Company's common stock.

Our management concluded that our disclosure controls and procedures and our internal control over financial reporting were not effective as of December 31, 2024 and 2023 due to material weaknesses in internal control over financial reporting. If we are unable to remediate these material weaknesses and maintain an effective system of disclosure controls and procedures and internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and materially and adversely affect our business and financial results.

The process of designing and implementing and maintaining effective internal controls for newly acquired businesses has required and is expected to continue to require significant resources of the Company. We have concluded that we have material weaknesses in our internal controls due to our limited accounting and finance resources which resulted in inappropriate preparation, review and maintenance of documentation critical to the design and consistent execution of internal controls. Due to limited staffing,it can be challenging to properly prepare, review and maintain appropriate documentation critical to the process.

The process of designing and implementing and maintaining effective internal controls for newly acquired businesses has required and is expected to continue to require significant resources of the Company. We have concluded that we have material weaknesses in our internal controls due to our limited accounting and finance resources which resulted in inappropriate preparation, review and maintenance of documentation critical to the design and consistent execution of internal controls. Due to limited staffing, it can be challenging to properly prepare, review and maintain appropriate documentation critical to the process. If the Company continues to have material weaknesses in our internal controls or is unable to establish or maintain appropriate internal financial controls and procedures, it could cause the Company to fail to meet its reporting obligations on a timely basis, result in material misstatements in its consolidated financial statements, and harm its operating results. In addition, the process for designing and implementing and maintaining an effective internal control environment for the Company may divert management's attention from revenue generating or other important business activities.

If the Company fails to design and implement and maintain effective internal controls over financial reporting for newly acquired businesses in the required timeframe, it may be subject to sanctions or investigations by regulatory authorities, including the SEC and Nasdaq. Furthermore, if the Company is unable to conclude that its internal controls over financial reporting are effective, it could lose investor confidence in the accuracy and completeness of its financial reports, the market price of the Company's securities could decline, and it could be subject to sanctions or investigations by regulatory authorities. Failure to implement or maintain effective internal control over financial reporting and disclosure controls and procedures required of public companies could also restrict the Company's future access to the capital markets.

The price of the Company's common stock and trading volume may be volatile and may negatively impact shareholders' value of their investment.

The market price for the Company's common stock has been highly volatile, and the market from time to time has experienced significant price and volume fluctuations that are unrelated to the operating performance of public companies. The trading volume and prices of the common stock have been volatile and may continue to be volatile and could fluctuate widely due to factors both within and beyond the Company's control. During 2024 through March 15, 2025, the sale price of common stock ranged from $0.16 to $480 per share, and our daily trading volume ranged from 11 to approximately 514.0 million shares. This volatility may, in part, be the result of broad market and industry factors. Future fluctuations in the trading price or liquidity of the Company's common stock may harm the value of the investment of the Company's shareholders in the Company's common stock.

Factors that may have a significant impact on the market price and marketability of the Company's common stock include, among others:

- public reaction to the Company's press releases, announcements and filings with the SEC;
- the Company's operating and financial performance;
- fluctuations in broader securities market prices and volumes, particularly among securities of technology and solar companies;
- changes in market valuations of similar companies;
- departures of key personnel;

- commencement of or involvement in material litigation;
- variations in the Company's quarterly results of operations or those of other technology and solar companies;
- changes in general economic conditions, financial markets or the technology and solar industries;
- announcements by the Company or its competitors of significant acquisitions or other transactions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- speculation in the press or investment community;
- actions by the Company's shareholders, particularly relating to the Company's common stock;
- the failure of securities analysts to cover the Company's common stock or changes in their recommendations and estimates of its financial performance;
- future sales of the Company's common stock;
- the delisting of the Company's common stock or halting or suspension of trading in its common stock by the Nasdaq Stock Market;
- economic and other external factors such as global conflicts, trade wars and the impacts of domestic and foreign tariffs on supplies, parts and other solar related materials and components; and
- general market conditions.

The Company may issue additional common stock resulting in stock ownership dilution.

As of April 11, 2025, we had 646,282,496 shares of common stock outstanding. There are an additional 264 shares reserved for issuance upon the settlement of outstanding restricted stock units, 12,482 shares available for grant under the 2022 Equity Incentive Plan, and 400 shares available for issuance under the 2022 Employee Stock Purchase Plan.

Additionally, following our most recently completed equity offering on February 27, 2025, we issued common stock warrants containing exercise price adjustments and, in the case of the Series B Warrants, an alternative cashless exercise feature, which, if triggered, may cause substantial dilution. Following the Warrant Stockholder Approval of the February 2025 equity offering, if the market price is less than the exercise price of the Series A Warrants or Series B Warrants, respectively, then the exercise price of the February 2025 warrants will be reduced to the market price and the number of shares issuable upon exercise will be proportionately adjusted such that the aggregate price will remain unchanged, provided, however, the adjusted exercise price shall not be less than the Nasdaq compliant floor price set forth therein.

In addition, if, while the common warrants are outstanding, we issue or sell, or are deemed to have issued or sold, any common stock and/or common stock equivalents other than in connection with certain exempt issuances, at a purchase price per share less than the exercise price of the common warrants in effect immediately prior to such issuance or sale or deemed issuance or sale, then simultaneously with the consummation (or, if earlier, the announcement) of each such issuance or sale or deemed issuance or sale, the exercise price of the common warrants then in effect will be reduced to an amount equal to the new issuance price, and the number of shares issuable upon exercise will be proportionately adjusted such that the aggregate price will remain unchanged, provided that, the adjusted exercise price shall not be less than twenty percent of the "Minimum Price" under Nasdaq rules (subject to adjustment for reverse and forward stock splits, recapitalizations and similar transactions following the Issue Date).

In addition, if the Series B Warrants are exercised by way of an alternative cashless exercise, such exercising holder will receive three shares of common stock for each share of common stock they would receive in a cash exercise for each Series B Warrant they exercise, without any cash payment to us. As a result, we do not expect to receive cash proceeds from the exercise of the Series B Warrants. If any of the above provisions in the common warrants are utilized, our stockholders may suffer substantial dilution.
In addition, we may raise additional capital through the sale of equity or convertible debt securities, which would further dilute the ownership interests of our shareholders. As of April 11, 2025, there are currently 156,752,190 shares reserved for issuance upon the exercise of the remaining outstanding Series A and Series B Warrants.

Anti-Takeover Effects of Delaware Law, the Certificate of Incorporation and the Bylaws may discourage or prevent a change in control, even if beneficial to our shareholders and could cause our stock price to decline.

Certain provisions of Delaware law, our certificate of incorporation and our bylaws could make the acquisition of our company more difficult and could delay, defer or prevent a tender offer or other takeover attempt that a stockholder might consider to be in its best interest, including takeover attempts that might result in the payment of a premium to stockholders over the market price for their shares. These provisions also may promote the continuity of our management by making it more difficult for a person to remove or change the incumbent members of our board of directors.

The Company's board of directors is authorized to issue and designate shares of preferred stock without shareholder approval.

The Company's articles of incorporation authorize the board of directors, without the approval of the Company shareholders, to issue up to 3,000,000 shares of preferred stock, subject to limitations prescribed by applicable law, rules and regulations and the provisions of the articles of incorporation, as shares of preferred stock in series, to establish from time to time the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. The powers, preferences and rights of these series of preferred stock may be senior to or on parity with our common stock, which may reduce its value.

Risks Relating to the Company's Business

The Company's growth strategy depends on the continued origination of solar installation agreements.

The Company's growth strategy depends on the continued origination of solar installation agreements. The Company may be unable to originate additional solar installation agreements and related solar energy systems in the numbers or at the pace the Company currently expects for a variety of reasons, including, but not limited to, the following:

- demand for solar energy systems failing to develop sufficiently or taking longer than expected to develop;
- residential solar energy technology being unavailable at economically attractive prices as a result of factors outside of the Company's control, including utility prices not rising as quickly as anticipated;
- issues related to financing, construction, permitting, the environment, governmental approvals and the negotiation of solar installation agreements;
- a reduction in government incentives or adverse changes in policy and laws for the development or use of solar energy, including net metering, SRECs and tax credits;
- other government or regulatory actions that could adversely affect the Company's business model;
- supply chain issues considering most residential solar panels are manufactured outside the U.S.;
- negative developments in public perception of the solar energy industry; and
- competition from other solar companies following a business plan similar to the Company's and other energy technologies, including the emergence of alternative renewable energy technologies.

If the challenges of originating solar installation agreements increase, the Company's pool of available opportunities may be limited, which could have a material adverse effect on its business, financial condition, cash flows and results of operations.

If the Company fails to manage its operations and growth effectively, it may be unable to execute its business plan, maintain high levels of customer service or adequately address competitive challenges.

The Company continues to be focused on growing revenue in the future and it intends to continue its efforts to expand its business within existing and new markets. This growth may place a strain on the Company's management, operational and financial infrastructure. The Company's growth requires management to devote a significant amount of time and effort to maintain and expand its relationships with customers and third parties, attract new customers, arrange financing for its growth and manage its expansion into additional markets.

In addition, the Company's current and planned operations, personnel, information technology and other systems and procedures might be inadequate to support future growth and may require it to make additional unanticipated investments in its infrastructure. The Company's success and ability to further scale its business will depend, in part, on its ability to manage these changes in a cost-effective and efficient manner.

If the Company cannot manage its operations and growth, it may be unable to meet its or others' expectations regarding growth, opportunity and financial targets, take advantage of market opportunities, execute its business strategies or respond to competitive pressures. This could also result in declines in quality or customer satisfaction, increased costs, difficulties in introducing new offerings or other operational difficulties. Any failure to effectively manage the Company's operations and growth could adversely impact its reputation, business, financial condition, cash flows and results of operations.

The Company needs to raise additional capital to fund its operations and repay its obligations, which funding may not be available on favorable terms or at all and may lead to substantial dilution to the Company's existing shareholders. Further, there is substantial doubt about the Company's ability to continue as a going concern, which conditions may adversely affect the Company's stock price and its ability to raise capital.

Based on the Company's current financial position, which includes approximately $0.3 million of restricted cash, cash equivalents and investments that are restricted under the CVR agreement and cannot be used by the Company for its own working capital needs, and the Company's forecasted future cash flows for twelve months beyond the date of issuance of these financial statements, substantial doubt exists around the Company's ability to continue as a going concern for a reasonable period of time. As noted in Note 17, Subsequent Events, the Company raised capital and satisfied certain outstanding debt obligations subsequent to year end, 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. However, additional funding may not be available on terms acceptable to the Company, or at all. If the Company is unable to raise additional funds, it would have a negative impact on the Company's business, results of operations and financial condition.

As discussed in Note 17, Subsequent Events, while we have recently repaid all of our then secured debt obligations and amended our long-term note related to the SUNation acquisition, we have significant obligations under payables and other contracts. Our ability to operate as a going concern is contingent upon successfully obtaining additional financing. Raising additional capital may be costly or difficult to obtain and could significantly dilute the Company's shareholders' ownership interests or inhibit the Company's ability to achieve its business objectives. If the Company raises additional funds through public or private equity offerings or convertible debt or other exchangeable securities, the terms of these securities may include liquidation or other preferences that adversely affect the rights of the Company's common shareholders. To the extent that the Company raises additional capital through the sale of common stock or securities convertible or exchangeable into common stock, the Company's existing shareholders will be diluted. In addition, any debt financing may subject the Company to fixed payment obligations and covenants limiting or restricting its ability to take specific actions, such as incurring additional debt or making capital expenditures.

In addition, the fact that there is substantial doubt about the Company's ability to continue as a going concern and that the Company is operating under these conditions may adversely affect the Company's stock price and its ability to raise capital.

The Company depends on a limited number of suppliers of solar energy system components and technologies to adequately meet demand for its solar energy systems.

The Company purchases solar panels, inverters, energy storage systems and other system components and instruments from a limited number of suppliers, making it susceptible to quality issues, shortages and price changes. If one or more of the suppliers the Company relies upon to meet anticipated demand ceases or reduces production due to its financial condition, acquisition by a competitor or otherwise, is unable to increase production as industry demand increases or is otherwise unable to allocate sufficient production to it, it may be difficult to quickly identify alternative suppliers or to qualify alternative products on commercially reasonable terms and the Company's ability to satisfy this demand may be adversely affected. There are a limited number of suppliers of solar energy system components, instruments and technologies. Any need to transition to a new supplier may result in additional costs and delays in originating solar installation agreements and deploying its related solar energy systems, which in turn may result in additional costs and delays in its acquisition of such solar installation agreements and related solar energy systems. These issues could have a material adverse effect on the Company's business, financial condition and results of operations.

There have also been periods of industry-wide shortages of key components and instruments, including batteries and inverters, in times of rapid industry growth. The manufacturing infrastructure for some of these components has a long lead-time, requires significant capital investment and relies on the continued availability of key commodity materials, which could potentially result in an inability to meet demand for these components. The solar industry is currently experiencing rapid growth and, as a result, shortages of key components or instruments, including solar panels, may be more likely to occur, which in turn may result in price increases for such components. Even if industry-wide shortages do not occur, manufacturers and suppliers experiencing high demand or insufficient production capacity for key components may allocate these key components to customers other than the Company or its suppliers. The Company's ability to originate solar installation agreements and related solar energy systems would be reduced as a result of the allocation of key components by manufacturers and suppliers.

The Company's supply chain and operations could be subject to natural disasters and other events beyond its control, such as earthquakes, wildfires, flooding, hurricanes, tsunamis, typhoons, volcanic eruptions, droughts, tornadoes, power outages or other natural disasters, the effects of climate change and related extreme weather, public health issues and pandemics, war, terrorism, government restrictions or limitations on trade, and geo-political unrest and uncertainties.

Increases in the cost of the Company's solar energy systems due to tariffs and other trade restrictions imposed by the U.S. and foreign governments could have a material adverse effect on its business, financial condition and results of operations.

The United States has often considered tariffs on industry-related goods imported from other countries. For example, on February 8, 2022, Auxin Solar, a U.S.-based solar panel manufacturer, submitted a petition to the U.S. Department of Commerce to request country-wide circumvention inquiries pursuant to Section 781(b) of the Tariff Act of 1930 concerning crystalline silicon photovoltaic cells and modules assembled in Malaysia, Thailand, Vietnam and Cambodia using Chinese inputs. In December 2024, then President Biden's U.S. Trade Representative increased tariffs on certain tungsten products, wafers and polysilicon made in China. The rates for tungsten products increased to 25%, and the rates for solar wafers and polysilicon increased to 50%, effective Jan. 1, 2025. These actions could have the effect of increasing our product costs and may impact margins and operating costs.

Prior to the Department of Commerce issuing its preliminary decision, the Biden Administration issued an order in June 2022 that paused the collection of any new anti-dumping or countervailing duty of certain solar cells and modules exported from Cambodia, Malaysia, Thailand, and Vietnam for two years, until June 2024. The White House initiated this "bridge" action in advance of the Department of Commerce's preliminary decision, in effect guaranteeing no new solar tariffs for 24 months. Nonetheless, the

Department's investigation had the effect of increasing module prices and affected supply. If imposed in June 2024, the related duties could further increase module prices and affect supply, which would negatively impact our supply chain and operations.

Human rights and forced labor issues in foreign countries and the U.S. government's response to them could also disrupt the Company's supply chain and its operations could be adversely impacted. For example, in response to allegations regarding forced labor in the Xinjiang Uyghur Autonomous Region of China, the Biden Administration in 2021 passed the Uyghur Forced Labor Prevention Act. This Act has led to intensive examinations, withhold release orders, and other governmental procedures that have caused supply chain and operational delays. These and other similar trade restrictions that may be imposed in the future could cause delivery and installation delays and restrict the global supply of polysilicon and solar products.

The Company's operating results and its ability to grow may fluctuate from quarter to quarter and year to year, which could make its future performance difficult to predict and could cause its operating results for a particular period to fall below expectations.

The Company's quarterly and annual operating results are difficult to predict and may fluctuate significantly in the future. In addition to the other risks described in this section, the following factors could cause the Company's operating results to fluctuate:

- expiration or initiation of any governmental rebates or incentives;
- significant fluctuations in customer demand for the Company's solar energy systems;
- our ability to continue to expand the Company's operations and the amount and timing of expenditures related to this expansion;
- announcements by the Company or its competitors of significant acquisitions;
- strategic partnerships, joint ventures or capital-raising activities or commitments;
- price of materials and supplies;
- availability and cost of labor;
- changes in the Company's pricing policies or terms or those of its competitors, including centralized electric utilities;
- actual or anticipated developments in the Company's competitors' businesses;
- technology or the competitive landscape; and
- natural disasters or other weather or meteorological conditions.

For these or other reasons, past performance should not be relied upon as indications of the Company's future performance.

The Company may be required to record an impairment charge on our goodwill in the future.

We are required under generally accepted accounting principles to test goodwill for impairment at least annually or when events or changes in circumstances indicate that the carrying value may be impaired. Factors that can lead to impairment of goodwill include significant adverse changes in the business climate and actual or projected operating results, declines in the financial condition of our business and sustained decrease in our stock price. As of October 1, 2024, we conducted our annual goodwill impairment test and concluded that the fair value of our reporting units exceeded its carrying value. However, during the fourth quarter of fiscal 2024, we performed an interim quantitative assessment as of December 31, 2024 related to the recoverability of our goodwill for our two reporting units as a result of a material decline in our stock price and forecasted revenues and operating results. We concluded that the fair value of our HEC reporting unit did not exceed its carrying value as of December 31, 2024 and recorded an impairment of $3.1 million in our consolidated statements of operations, reducing our HEC goodwill balance to $6.7 million and our total goodwill balance to $17.4 million. We may be required to record additional impairment expense on our goodwill in the future.

For further information regarding the assessment please see Note 8, Goodwill and Intangible Assets*,* in this Annual Report on Form 10-K.

We may not realize the anticipated benefits of past or future investments, strategic transactions, or acquisitions, and integration of these acquisitions may disrupt our business and our management.

We have in the past and may in the future, acquire companies, projects, products, or technologies or enter into joint ventures or other strategic transactions.

We may not realize the anticipated benefits of past or future investments, strategic transactions, or acquisitions, and these transactions involve numerous risks that are not within our control. These risks include the following, among others:

- Failure to satisfy the required conditions and otherwise complete a planned acquisition, joint venture or other strategic transaction on a timely basis or at all;
- Legal or regulatory proceedings, if any, relating to a planned acquisition, joint venture or other strategic transaction and the outcome of such legal proceedings;

- Difficulty in assimilating the operations, systems, and personnel of the acquired company;
- Difficulty in effectively integrating the acquired technologies or products with our current products and technologies;
- Difficulty in maintaining controls, procedures and policies during the transition and integration;
- Disruption of our ongoing business and distraction of our management and employees from other opportunities and challenges due to integration issues;
- Difficulty integrating the acquired company's accounting, management information and other administrative systems;
- Inability to retain key technical and managerial personnel of the acquired business;
- Inability to retain key customers, vendors and other business partners of the acquired business;
- Inability to achieve the financial and strategic goals for the acquired and combined businesses;
- Incurring acquisition-related costs or amortization costs for acquired intangible assets that could impact our results of operations;
- Significant post-acquisition investments which may lower the actual benefits realized through the acquisition;
- Potential failure of the due diligence processes to identify significant issues with product quality, legal, and financial liabilities, among other things;
- Moderating and anticipating the impacts of inherent or emerging seasonality in acquired customer agreements;
- Potential inability to assert that internal controls over financial reporting are effective; and
- Potential inability to obtain, or obtain in a timely manner, approvals from governmental authorities, which could delay or prevent such acquisitions.

Our failure to address these risks, or other problems encountered in connection with our past or future investments, strategic transactions, or acquisitions, could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, incremental expenses or the write-off of goodwill, any of which could harm our financial condition or results of operations, and the trading price of our common stock could decline.

If the Company is unable to make net profitable acquisitions on economically acceptable terms, its future growth would be limited, and any acquisitions it may make could reduce, rather than increase, its cash flows.

The consummation and timing of any future acquisitions will depend upon, among other things, whether the Company is able to:

- identify attractive acquisition candidates that are accretive and net profitable;
- negotiate economically acceptable purchase agreements;
- obtain any required governmental or third-party consents;
- obtain financing for these acquisitions on economically acceptable terms;
- which may be more difficult at times when the capital markets are less accessible; and
- outbid any competing bidders.

Additionally, any acquisition involves potential risks, including, among other things:

- mistaken assumptions about assets, revenues and expenses of the acquired company, including synergies and potential growth;
- an inability to successfully integrate the assets or businesses the Company acquires;
- coordinating geographically disparate organizations, systems and facilities;
- the assumption of unknown liabilities for which the Company is not indemnified or for which its indemnity is inadequate;
- mistaken assumptions about the acquired company's suppliers or other vendors;
- the diversion of management's and employees' attention from other business concerns;
- unforeseen difficulties operating in new geographic areas and business lines;
- customer or key employee losses at the acquired business; and
- poor quality assets or installation.

If the Company consummates future acquisitions, its capitalization, results of operations and future growth may change significantly and its shareholders may not have the opportunity to evaluate the economic, financial and other relevant information considered in deciding to engage in these future acquisitions.

Product liability and property damage claims against the Company or accidents could result in adverse publicity and potentially significant monetary damages.

It is possible that the Company's solar energy systems could injure its customers or other third parties or its solar energy systems could cause property damage as a result of product malfunctions, defects, improper installation, fire or other causes. Any product liability claim that the Company faces could be expensive to defend and may divert management's attention. The successful assertion of product liability claims against the Company could result in potentially significant monetary damages, potential increases in insurance expenses, penalties or fines, subject it to adverse publicity, damage its reputation and competitive position and adversely affect sales of solar energy systems. In addition, product liability claims, injuries, defects or other problems experienced by other companies in the residential solar industry could lead to unfavorable market conditions to the industry as a whole and may have an adverse effect on the Company's ability to expand its portfolio of solar installation agreements, thus affecting its business, financial condition and results of operations.

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

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

We may not fully realize the anticipated benefits from our restructuring efforts begun in 2024, which continue into 2025.

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

The Company will not be able to insure against all potential risks and it may become subject to higher insurance premiums.

The Company's insurance policies do not cover all potential losses and coverage is not always available in the insurance market on commercially reasonable terms. Furthermore, the receipt of insurance proceeds may be delayed, requiring the Company to use cash or incur financing costs in the interim. To the extent the Company experiences covered losses under its insurance policies, the limit of its coverage for potential losses may be decreased or the insurance rates it has to pay increased. Furthermore, the losses insured through commercial insurance are subject to the credit risk of those insurance companies.

The Company may not be able to maintain or obtain insurance of the type and amount it desires at reasonable rates. The insurance coverage the Company does obtain may contain large deductibles or fail to cover certain risks or all potential losses. In addition, the Company's insurance policies will be subject to annual review by its insurers and may not be renewed on similar or favorable terms, including coverage, deductibles or premiums, or at all. If a significant accident or event occurs for which the Company is not fully insured or it suffers losses due to one or more of its insurance carriers defaulting on their obligations or contesting their coverage obligations, it could have a material adverse effect on its business, financial condition and results of operations.

Damage to the Company's brand and reputation or change or loss of use of its brand could harm its business and results of operations.

The Company depends significantly on its reputation for excellent customer service and brand name to attract new customers and grow its business. If the Company fails to continue to deliver within the planned timelines, if its offerings do not perform as anticipated or if it damages any of its customers' properties or delays or cancels projects, its brand and reputation could be significantly impaired. Future technological improvements may allow the Company to offer lower prices or offer new technology to new customers; however, technical limitations in its current solar energy systems may prevent it from offering such lower prices or new technology to the Company's existing customers. The inability of the Company's current customers to benefit from technological improvements could cause its existing customers to lower the value they perceive the Company's existing products offer and impair its brand and reputation.

In addition, given the sheer number of interactions the Company's personnel has with customers and potential customers, it is inevitable that some customers' and potential customers' interactions with it will be perceived as less than satisfactory. If the Company cannot manage its hiring and training processes to avoid or minimize these issues to the extent possible, its reputation may be harmed and its ability to attract new customers would suffer.

The loss of one or more members of the Company's senior management or key employees may adversely affect its ability to implement its strategy.

The Company depends on its experienced management team and the loss of one or more key executives could have a negative impact on its business. The Company may be unable to replace key members of its management team and key employees if it loses their services. Integrating new employees into the Company's team could prove disruptive to the Company's operations, require substantial resources and management attention and ultimately prove unsuccessful. An inability to attract and retain sufficient managerial personnel who have critical industry experience and relationships could limit or delay the Company's strategic efforts, which could have a material adverse effect on its business, financial condition and results of operations.

The Company's inability to protect its intellectual property could adversely affect its business. The Company may also be subject to intellectual property rights claims by third parties, which are extremely costly to defend, could require it to pay significant damages and could limit its ability to use certain technologies.

The Company's success depends, at least in part, on its ability to protect its core technology and intellectual property. The Company relies on intellectual property laws, primarily a combination of copyright and trade secret laws in the U.S., as well as license agreements and other contractual provisions, to protect its proprietary technology and brand. The Company cannot be certain its agreements and other contractual provisions will not be breached, including a breach involving the use or disclosure of its trade secrets or know-how, or that adequate remedies will be available in the event of any breach. In addition, the Company's trade secrets may otherwise become known or lose trade secret protection.

The Company cannot be certain its products and its business do not or will not violate the intellectual property rights of a third party. Third parties, including the Company's competitors, may own patents or other intellectual property rights that cover aspects of the Company's technology or business methods. These parties may claim the Company has misappropriated, misused, violated or infringed third-party intellectual property rights. Any claim that the Company has violated a third party's intellectual property rights, whether with or without merit, could be time-consuming, expensive to settle or litigate and could divert its management's attention and other resources, all of which could adversely affect its business, results of operations, financial condition and cash flows. If the Company does not successfully settle or defend an intellectual property claim, it could be liable for significant monetary damages and could be prohibited from continuing to use certain technology, business methods, content or brands. To avoid a prohibition, the Company could seek a license from third parties, which could require it to pay significant royalties, increasing its operating expenses. If a license is not available at all or not available on commercially reasonable terms, the Company may be required to develop or license a non-violating alternative, either of which could adversely affect its business, results of operations, financial condition and cash flows.

The Company may be subject to interruptions or failures in its information technology systems.

The Company relies on information technology systems and infrastructure to support its business. Any of these systems may be susceptible to damage or interruption due to fire, floods, power loss, telecommunication failures, usage errors by employees, computer viruses, cyberattacks or other security breaches or similar events. A compromise of the Company's information technology systems or those with which it interacts could harm its reputation and expose it to regulatory actions and claims from customers and other persons, any of which could adversely affect its business, financial condition, cash flows and results of operations. If the Company's information systems are damaged, fail to work properly or otherwise become unavailable, it may incur substantial costs to repair or replace them and it may experience a loss of critical information, customer disruption and interruptions or delays in its ability to perform essential functions.

The Company's information technology systems may be exposed to various cybersecurity risks and other disruptions that could impair its ability to operate, adversely affect its business, and damage its brand and reputation.

The Company relies extensively on its information technology systems and on third parties for services including its enterprise resource planning ("ERP") system, banking, payroll, shipping, and e-mail systems to conduct business. The Company also collects, stores and transmits sensitive data, including proprietary business information and personally identifiable information of its customers, suppliers and employees.

The Company's information technology systems and communication systems are vulnerable to cybersecurity risks such as computer viruses, hacking, malware, denial of service attacks, cyber terrorism, circumvention of security systems, malfeasance, breaches due to employee error, natural disasters, telecommunications failure, at its facilities or at third-party locations.

Complying with the varying cybersecurity and data privacy regulatory requirements could cause the Company to incur substantial costs or require it to change its business practices in a manner adverse to its business. Any failure, or perceived failure, by the Company to comply with any regulatory requirements or international privacy or consumer protection-related laws and regulations could result in proceedings or actions against it by governmental entities or others, subject it to significant penalties and negative publicity and adversely affect us. In addition, as noted above, the Company is subject to the possibility of security breaches, which themselves may result in a violation of these laws.

Any failure, breach or unauthorized access to the Company's or third-party systems could result in the loss of confidential, sensitive or proprietary information, interruptions in its service or production or otherwise its ability to conduct business operations, and could result in potential reductions in revenue and profits, damage to its reputation or liability. Given that the Company receives, stores and uses personal information of its customers, including names, addresses, e-mail addresses, credit information, credit card and financial account information and other housing and energy use information, this risk is amplified. There can be no assurance that the Company's protective measures will prevent or timely detect security breaches that could have a significant impact on its business, reputation, operating results and financial condition.

If a cyberattack or other security incident were to allow unauthorized access to or modification of the Company's customers' data or its own data, whether due to a failure with its systems or related systems operated by third parties, it could suffer damage to its brand and reputation. The costs the Company would incur to address and fix these incidents would increase its expenses. These types of security incidents could also lead to lawsuits, regulatory investigations and increased legal liability, including in some cases contractual costs related to customer notification and fraud monitoring. Further, as regulatory focus on privacy and data security issues continues to increase and worldwide laws and regulations concerning the protection of information become more complex, the potential risks and costs of compliance to the Company's business will intensify.

A 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.

To support our growth, we need to hire, train, deploy, manage, and retain a substantial number of skilled employees, including but not limited to engineers, installers, and electricians. Competition for these roles is increasing. Shortages of skilled labor could significantly delay a project or otherwise increase our costs.

Our business is concentrated in certain markets, putting us at risk of region-specific disruptions.

The Company currently operates primarily in Hawaii and the New York (Long Island) region, and most of the Company's revenue comes from these regions. Any disruptions to these specific states or regional areas may impact the Company's operations and financial results.

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

We may, from time to time, be involved in litigation and government proceedings, as well as contractual financial claims arising in the course of business, which may a material adverse impact on our financial position, results of operations or liquidity. These claims have in the past, and may in the future, arise from a wide variety of business practices and initiatives, including current or new product releases, third party products that we may be asked to install and which may prove defective or faulty, significant business transactions, securities offerings, convertible notes, warrants, loans, warranty or product claims, employment practices, real estate contracts and regulation, among other matters. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. Litigation, threatened litigation and other material claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact in our consolidated financial statements could occur for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

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

Risks Related to the Solar Industry

If sufficient additional demand for residential solar energy systems does not develop or takes longer to develop than the Company anticipates, its ability to originate solar installation agreements may decrease.

The distributed residential solar energy market is at a relatively early stage of development in comparison to fossil fuel-based electricity generation. If additional demand for distributed residential solar energy systems fails to develop sufficiently or takes longer to develop than the Company anticipates, it may negatively impact the Company's business.

Many factors may affect the demand for solar energy systems, including, but not limited to, the following:

- availability, substance and magnitude of solar support programs, including government targets;
- subsidies, incentives, renewable portfolio standards and residential net metering rules;
- the relative pricing of other conventional and non-renewable energy sources, such as natural gas, coal, oil and other fossil fuels, wind, utility-scale solar, nuclear, geothermal and biomass;
- performance, reliability and availability of energy generated by solar energy systems compared to conventional and other non-solar renewable energy sources;
- availability and performance of energy storage technology, the ability to implement this technology for use in conjunction with solar energy systems and the cost competitiveness this technology provides to customers as compared to costs for those customers that rely solely on the conventional electrical grid; and
- general economic conditions, supply chain conditions and the level of interest rates.

The residential solar energy industry is constantly evolving, which makes it difficult to evaluate the Company's prospects. The Company cannot be certain if historical growth rates reflect future opportunities or whether it will achieve the growth it anticipates. The failure of distributed residential solar energy to achieve, or its being significantly delayed in achieving, widespread adoption could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's business prospects are dependent in part on a continuing decline in the cost of solar energy system components and the Company's business may be adversely affected to the extent the cost of these components stabilize or increase in the future, whether through international supply disruptions, conflicts, trade wars, new tariffs or otherwise.

The market for residential solar energy systems has benefitted from the declining cost of solar energy system components and to the extent these costs stabilize, decline at a slower rate or increase, the Company's future growth rate may be negatively affected. The declining cost of solar energy system components and the raw materials necessary to manufacture them has been a key driver in the price of solar energy systems, the prices charged for electricity and customer adoption of solar energy. Solar energy system component and raw material prices may not continue to decline at the same rate as they have over the past several years or at all. In addition, growth in the solar industry and the resulting increase in demand for solar energy system components and the raw materials necessary to manufacture them may also put upward pressure on prices. An increase of solar energy system components and raw materials prices could slow the Company's growth and cause its business and results of operations to suffer. Further, the cost of solar energy system components and raw materials has increased and could increase in the future due to tariff penalties, duties, the loss of or changes in economic governmental incentives or other factors.

The Company faces competition from centralized electric utilities, retail electric providers, independent power producers and renewable energy companies.

The solar energy and renewable energy industries are both highly competitive and continually evolving as participants strive to distinguish themselves within their markets and compete with large centralized electric utilities. The Company competes with these centralized electric utilities primarily based on price (cents per kWh). The Company may also compete based on other value-added benefits, such as reliability and carbon-friendly power. If the Company cannot offer compelling value to its customers based on these factors, its business may not grow.

Centralized electric utilities generally have substantially greater financial, technical, operational and other resources than the Company does. As a result, these competitors may be able to devote more resources to the promotion and sale of their products or services or respond more quickly to evolving industry standards and changes in market conditions than the Company can.

The Company also competes with retail electric providers and independent power producers that are not regulated like centralized electric utilities but that have access to the centralized utilities' electricity transmission and distribution infrastructure pursuant to state, territorial and local pro-competition and consumer choice policies. These retail electric providers and independent power producers are able to offer customers electricity supply-only solutions that are competitive with the Company's installation options on both price and usage of renewable energy technology while avoiding the physical installations that the Company's business model requires. This may limit the Company's ability to acquire new customers, particularly those who have an objection to putting solar panels on their roofs.

The Company also competes with solar companies with business models similar to its own, that market to similar potential customers. Some of these competitors specialize in the distributed residential solar energy market. Some of the Company's competitors offer or may offer similar offerings and products as the Company. Many of the Company's competitors also have significant brand name recognition and have extensive knowledge of its target markets.

The Company also competes with solar companies that offer community solar products and utility companies that provide renewable power purchase programs. Some customers might choose to subscribe to a community solar project or renewable subscriber programs instead of installing a solar energy system on their home, which could affect the Company's sales. Additionally, some utility companies (and some utility-like entities, such as community choice aggregators in California) have generation portfolios that are increasingly renewable in nature. In California, for example, due to recent legislation, utility companies and community choice aggregators in that state are required to have generation portfolios comprised of 60% renewable energy by 2030 and state regulators are planning for utility companies and community choice aggregators to sell 100% greenhouse gas free electricity to retail customers by 2045. As utility companies offer increasingly renewable portfolios to retail customers, those customers might be less inclined to install a solar energy system at their home, which could adversely affect the Company's growth.

The Company competes with companies that sell solar energy systems and services in the commercial, industrial and government markets, in addition to the residential market, in the U.S. and foreign markets. There is intense competition in the residential solar energy sector in the markets in which the Company operates. As new entrants continue to enter into these markets, the Company may be unable to grow or maintain its operations and it may be unable to compete with companies that earn revenue in both the residential market and non-residential markets. Further, because the Company provides services primarily to residential customers, the Company has a less diverse market presence and is more exposed to potential adverse changes in the residential market than its competitors that sell solar energy systems and services in the commercial, industrial, government and utility markets.

As the solar industry grows and evolves, the Company will also face new competitors and technologies who are not currently in the market. The Company's industry is characterized by low technological barriers to entry and well-capitalized companies, including utilities and integrated energy companies, could choose to enter the market and compete with us. The Company's failure to adapt to changing market conditions and to compete successfully with existing or new competitors will limit its growth and will have a material adverse effect on its business, financial condition and results of operations.

Developments in technology or improvements in distributed solar energy generation and related technologies or components may have a material adverse effect on demand for the Company's offerings.

Significant developments in technology, such as advances in distributed solar power generation, energy storage solutions such as batteries, energy storage management systems, the widespread use or adoption of fuel cells for residential or commercial properties or improvements in other forms of distributed or centralized power production may materially and adversely affect demand for the Company's offerings and otherwise affect its business. Future technological advancements may result in reduced prices to consumers or more efficient solar energy systems than those available today, either of which may result in current customer dissatisfaction. The Company may not be able to adopt these new technologies as quickly as its competitors or on a cost-effective basis.

A material reduction in the retail price of electricity charged by electric utilities or other retail electricity providers could harm the Company's business, financial condition and results of operations.

Decreases in the retail price of electricity from electric utilities or from other retail electric providers, including other renewable energy sources such as larger-scale solar energy systems, could make the Company's offerings less economically attractive. The price of electricity from utilities could decrease for any one or more reasons, including but not limited to:

- the construction of a significant number of new power generation plants, whether generated by natural gas, nuclear power, coal or renewable energy;
- the construction of additional electric transmission and distribution lines;
- a reduction in the price of natural gas or other natural resources as a result of increased supply due to new drilling techniques or other technological developments;
- a relaxation of associated regulatory standards or broader economic or policy developments;
- less demand for electricity due to energy conservation technologies and public initiatives to reduce electricity consumption or to recessionary economic conditions; and
- development of competing energy technologies that provide less expensive energy.

A reduction in electric utilities' rates or changes to peak hour pricing policies or rate design (such as the adoption of a fixed or flat rate or adding fees to homeowners that have residential solar systems) could also make the Company's offerings less competitive with the price of electricity from the electrical grid. If the cost of energy available from electric utilities or other providers were to decrease relative to solar energy generated from residential solar energy systems or if similar events affecting the economics of the Company's offerings were to occur, it may have difficulty attracting new customers or existing customers may default or seek to terminate, cancel or otherwise avoid the obligations under their solar installation agreements. For example, large utilities in California have started transitioning customers to time-of-use rates and also have adopted a shift in the peak period for time-of-use rates to later in the day. Unless grandfathered under a different rate, residential customers with solar energy systems may be required to take service under time-of-use rates with the later peak period. Moving utility customers to time-of-use rates or the shift in the timing of peak rates for utility-generated electricity to include times of day when solar energy generation is less efficient or non-operable could also make the Company's offerings less competitive. Time-of-use rates could also result in higher costs for the owners of solar energy systems whose electricity requirements are not fully met during peak periods.

Terrorist or cyberattacks against centralized utilities could adversely affect the Company's business.

Assets owned by utilities such as substations and related infrastructure have been physically attacked in the past and will likely be attacked in the future. These facilities are often protected by limited security measures, such as perimeter fencing. Any such attacks may result in interruption to electricity flowing on the grid. Furthermore, cyberattacks, whether by individuals or nation states, against utility companies could severely disrupt their business operations and result in loss of service to customers, which would adversely affect the Company's operations. For example, the May 2021 ransomware attack on the owners of the Colonial Pipeline system forced a shutdown of its operations for multiple days, requiring significant capital outlays and concerns by customers and regulators of the reliability of the electricity provision. In the event the Company was plagued by similar cyberattacks, customers could choose other sources for electricity, which would adversely affect the Company's operations. Increased cyberattacks generally may also materially increase the Company's defense costs, which would adversely affect its profitability.

Climate change may have long-term impacts on the Company's business, industry, and the global economy.

Climate change poses a systematic threat to the global economy. While the Company's core business model seeks to mitigate climate change by accelerating the transition to renewable energy, there are also inherent climate-related risks to the Company's business operations. For example, climate change is likely to increase the frequency and severity of weather events; climate change may make it more challenging to predict weather outcomes, impacting operational schedules; and climate change could lead to extreme events which disrupt relevant energy infrastructure assets such as transmission grids. These types of risks could harm the Company's business, financial condition and results of operations.

Risks Related to Regulations

Increases in the cost of the Company's solar energy systems due to tariffs imposed by the U.S. and foreign government could have a material adverse effect on its business, financial condition and results of operations.

China is a major producer of solar cells and other solar products. Certain solar cells, modules, laminates and panels from China are subject to various U.S. antidumping and countervailing duty rates, depending on the exporter supplying the product, imposed by the U.S. government as a result of determinations that the U.S. was materially injured as a result of such imports being sold at less than fair value and subsidized by the Chinese government. For example, then President Biden's administration increased Section 301 tariffs on imports of wafers, polysilicon and certain tungsten products from China. Solar wafers and polysilicon imports, critical components for solar energy development, now face a 50% tariff rate. Tungsten products, such as bars and sheets, will be subject to a 25% tariff rate. The tariff increases took effect on January 1, 2025. If alternative sources are not available on competitive terms in the future, the Company may seek to purchase these products from manufacturers in China. In addition, tariffs on solar cells, modules and inverters in China may put upward pressure on prices of these products in other jurisdictions from which the Company currently purchases equipment, which could reduce its ability to offer competitive pricing to potential customers.

The Company cannot predict what, if any, additional actions the U.S. may adopt with respect to tariffs or other trade regulations or what actions may be taken by other countries in retaliation for such measures. If additional measures are imposed or other negotiated outcomes occur, the Company's ability to purchase these products on competitive terms or to access specialized technologies from other countries could be further limited, which could adversely affect its business, financial condition and results of operations.

The Company is not currently regulated as an electric public utility under applicable law, but may be subject to regulation as an electric utility in the future.

The Company currently is not regulated as an electric public utility in the U.S. under applicable national, state or other local regulatory regimes where it conducts business, and is not currently subject to the various federal, state and local standards, restrictions and regulatory requirements applicable to centralized public utilities. Any federal, state or local law or regulations that cause the Company to be treated as an electric utility or to otherwise be subject to a similar regulatory regime of commission-approved operating tariffs, rate limitations and related mandatory provisions, could place significant restrictions on its ability to operate its business and execute its business plan by prohibiting, restricting or otherwise regulating its sale of electricity. If the Company were subject to the same state or federal regulatory authorities as centralized electric utilities in the U.S. and its territories or if new regulatory bodies were established to oversee its business in the U.S. and its territories or in foreign markets it enters, its operating costs would materially increase or it might have to change its business in ways that could have a material adverse effect on its business, financial condition and results of operations.

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 the Company's solar energy systems and adversely impact its ability to originate new solar installation agreements.

Federal, state and local government regulations and policies concerning the electric utility industry, utility rates and rate structures and internal policies and regulations promulgated by electric utilities, heavily influence the market for electricity generation products and services. These regulations and policies often relate to electricity pricing. Policies and regulations that promote renewable energy and distributed energy generation have been challenged by centralized electric utilities and questioned by those in government and others arguing for less governmental spending and involvement in the energy market. To the extent these views are reflected in government policies and regulations, the changes in such policies and regulations could adversely affect the Company's business, financial condition and results of operations. Furthermore, any effort to overturn federal and state laws, regulations or policies that support solar energy generation or that remove costs or other limitations on other types of energy generation that compete with solar energy projects could materially and adversely affect the Company's business.

The Company relies on net metering and related policies to sell solar systems to its customers in most of its current markets, and changes to policies governing net metering may significantly reduce demand for electricity from residential solar energy systems and thus for the Company's installation services.

Net metering is one of several key policies that have enabled the growth of distributed generation solar energy systems in the U.S., providing significant value to customers for electricity generated by their residential solar energy systems, but not directly consumed on-site. Net metering allows a homeowner to pay his or her local electric utility for power usage net of production from the solar energy system or other distributed generation source. Homeowners receive a credit for the energy an interconnected solar energy system generates in excess of that needed by the home to offset energy purchases from the centralized utility made at times when the solar energy system is not generating sufficient energy to meet the customer's demand. In many markets, this credit is equal to the residential retail rate for electricity and in other markets, such as Hawaii, where the rate is less than the retail rate and may be set, for example, as a percentage of the retail rate or based upon a valuation of the excess electricity. In some states and utility territories, customers are also reimbursed by the centralized electric utility for net excess generation on a periodic basis.

Net metering programs have been subject to legislative and regulatory scrutiny in certain states and territories. These jurisdictions, by statute, regulation, administrative order or a combination thereof, have recently adopted or are considering new restrictions and additional changes to net metering programs either on a state-wide basis or within specific utility territories. Many of these measures were introduced and supported by centralized electric utilities. These measures vary by jurisdiction and may include a reduction in the rates or value of the credits customers are paid or receive for the power they deliver back to the electrical grid, caps or limits on the aggregate installed capacity of generation in a state or utility territory eligible for net metering, expiration dates for and phasing out of net metering programs, replacement of net metering programs with alternative programs that may provide less compensation and limits on the capacity size of individual distributed generation systems that can qualify for net metering. Net metering and related policies concerning distributed generation also received attention from federal legislators and regulators.

If net metering caps in certain jurisdictions are met, if the value of the credit that customers receive for net metering is significantly reduced, if net metering is discontinued or replaced by a different regime that values solar energy at a lower rate or if other limits or restrictions on net metering are imposed, the Company's current and future customers may be unable to recognize the same level of cost savings associated with net metering. The absence of favorable net metering policies or of net metering entirely, or the imposition of new charges that only or disproportionately impact customers that use net metering would likely significantly limit customer demand for distributed residential solar energy systems and thus for the Company's installation services.

A customer's decision to procure installation services from the Company 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 its ability to monetize them could adversely impact its business.

The Company's business depends in part on current government policies that promote and support solar energy and enhance the economic viability of distributed residential solar. U.S. federal, state and local governments established various incentives and financial mechanisms to reduce the cost of solar energy and to accelerate the adoption of solar energy. These incentives come in various forms, including rebates, tax credits and other financial incentives such as payments for renewable energy credits associated with renewable energy generation, exclusion of solar energy systems from property tax assessments or other taxes and system performance payments. However, these programs may expire on a particular date, end when the allocated funding is exhausted or be reduced or terminated as solar energy adoption rates increase.

A loss or reduction in such incentives could decrease the attractiveness of new solar energy systems to customers, which could adversely impact the Company's business.

Applicable authorities may adjust or decrease incentives from time to time or include provisions for minimum domestic content requirements or other requirements to qualify for these incentives. Reductions in, eliminations or expirations of or additional application requirements for governmental incentives could adversely impact results of operations and ability to compete in the Company's industry by increasing the cost of solar energy systems.

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 the Company's growth rate and customer satisfaction.

Technical and regulatory limitations regarding the interconnection of solar energy systems to the electrical grid may curb or slow the Company's growth in key markets. Utilities throughout the country follow different rules and regulations regarding interconnection and regulators or utilities have or could cap or limit the amount of solar energy that can be interconnected to the grid. The Company's solar energy systems generally do not provide power to homeowners until they are interconnected to the grid.

With regard to interconnection limits, the Federal Energy Regulatory Commission, ("FERC"), in promulgating the first form of small generator interconnection procedures, recommended limiting customer-sited intermittent generation resources, such as the Company's solar energy systems, to a certain percentage of peak load on a given electrical feeder circuit. Similar limits have been adopted by many states as a de facto standard and could constrain the Company's ability to market to customers in certain geographic areas where the concentration of solar installations exceeds this limit.

Furthermore, in certain areas, the Company benefits from policies that allow for expedited or simplified procedures related to connecting solar energy systems to the electrical grid. The Company also is required to obtain interconnection permission for each solar energy system from the local utility. In many states and territories, by statute, regulations or administrative order, there are standardized procedures for interconnecting distributed residential solar energy systems to the electric utility's local distribution system. However, approval from the local utility could be delayed as a result of a backlog of requests for interconnection or the local utility could seek to limit the number of customer interconnections or the amount of solar energy on the grid. In some states, certain utilities such as municipal utilities or electric cooperatives are exempt from certain interconnection requirements. If expedited or simplified interconnection procedures are changed or cease to be available, if interconnection approvals from the local utility are delayed or if the local utility seeks to limit interconnections, this could decrease the attractiveness of new solar energy systems to distributed residential solar power companies, including the Company, and the attractiveness of solar energy systems to customers. Delays in interconnections could also harm the Company's growth rate and customer satisfaction scores.

As adoption of solar distributed generation rises, along with the increased operation of utility-scale solar generation (such as in key markets including California), the amount of solar energy being contributed to the electrical grid may surpass the capacity anticipated to be needed to meet aggregate demand. Some centralized public utilities claim in less than five years, solar generation resources may reach a level capable of producing an over-generation situation, which may require some existing solar generation resources to be curtailed to maintain operation of the electrical grid. In the event such an over-generation situation were to occur, it could also result in a prohibition on the addition of new solar generation resources. The adverse effects of such a curtailment or prohibition without compensation could adversely impact the Company's business, results of operations, and future growth.

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.

The installation of solar energy systems requires individuals hired by the Company or third-party contractors, potentially including the Company's employees, to work at heights with complicated and potentially dangerous electrical systems. The evaluation and modification of buildings as part of the installation process requires these individuals to work in locations that may contain potentially dangerous levels of asbestos, lead, mold or other materials known or believed to be hazardous to human health. There is substantial risk of serious injury or death if proper safety procedures are not followed. The Company's operations are subject to regulation under OSHA, DOT regulations and equivalent state and local laws. Changes to OSHA or DOT requirements, or stricter interpretation or enforcement of existing laws or regulations, could result in increased costs. If the Company fails to comply with applicable OSHA or DOT regulations, even if no work-related serious injury or death occurs, it may be subject to civil or criminal enforcement and be required to pay substantial penalties, incur significant capital expenditures or suspend or limit operations. Individuals hired by or on behalf of the Company may have workplace accidents and receive citations from OSHA regulators for alleged safety violations, resulting in fines. Any such accidents, citations, violations, injuries or failure to comply with industry best practices may subject the Company to adverse publicity, damage its reputation and competitive position and adversely affect its business.

Our business is subject to consumer protection laws. Such laws and regulatory enforcement policies and priorities are subject to change, which may negatively impact our business.

We must comply with various international, federal, state, and local regulatory regimes, including those applicable to consumer credit transactions, leases, and marketing activities. These laws and regulations are subject to change and modification by statute, administrative rules and orders, and judicial interpretation. As a result of infrequent or sparse interpretations, ambiguities in these laws and regulations may create uncertainty with respect to what type of conduct is permitted or restricted under such laws and regulations. Regulators, such as the Federal Trade Commission and the Consumer Financial Protection Board, as well as state attorney generals and agencies, also can initiate inquiries into market participants, which can lead to investigations and, ultimately, enforcement actions. As a result, we are subject to a constantly evolving consumer protection and consumer finance regulatory environment that is difficult to predict and may affect our business.

The laws to which we may be subject to include federal and state laws that prohibit unfair, deceptive or abusive business acts or practices (such as the Federal Trade Commission Act and the Dodd-Frank Act), regulate lease and loan disclosures and terms and conditions (such as the Truth-in-Lending Act and the Consumer Leasing Act), and provide additional protections for certain customers in the military (such as the Servicemembers Civil Relief Act). Our business is or may also be subject to federal and state laws that regulate consumer credit report information, data privacy, debt collection, electronic fund transfers, service contracts, home improvement contracting and marketing activities (such as telemarketing, door-to-door sales, and e-mails).

While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance is given that our compliance policies and procedures will be effective. Failure to comply with these laws and with regulatory requirements applicable to our business could subject us to damages, revocation of licenses, class action lawsuits, administrative enforcement actions, civil and criminal liability, settlements, limits on offering certain products and services, changes in business practices, increased compliance costs, indemnification obligations to our capital providers, loan repurchase obligations and reputational damage that may harm our business, results of operations and financial condition.

Risks Related to our Bitcoin Strategy

WE ARE NOT REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940 AND STOCKHOLDERS DO NOT HAVE THE PROTECTIONS ASSOCIATED WITH OWNERSHIP OF SHARES IN A REGISTERED INVESTMENT COMPANY NOR THE PROTECTIONS AFFORDED BY THE COMMODITIES EXCHANGE ACT.

Our bitcoin acquisition strategy may expose us to various risks associated with bitcoin.

Our bitcoin acquisition strategy may expose us to various risks associated with bitcoin, including the following:

Bitcoin is a highly volatile asset. Bitcoin is a highly volatile asset that has traded below $38,000 per bitcoin and above $108,000 per bitcoin on Coinbase in the 12 months preceding the date of this annual report. The trading price of bitcoin was significantly lower during prior periods, and such decline may occur again in the future.

Bitcoin does not pay interest or dividends. Bitcoin does not pay interest or other returns and we can only generate cash from our bitcoin holdings if we sell our bitcoin or implement strategies to create income streams or otherwise generate cash by using our bitcoin holdings. Even if we pursue any such strategies, we may be unable to create income streams or otherwise generate cash from our bitcoin holdings, and any such strategies may subject us to additional risks.

Our bitcoin acquisition strategy has not been tested. This bitcoin acquisition strategy has not been tested. Although we believe bitcoin, due to its limited supply, has the potential to serve as a hedge against inflation in the long term, the short-term price of bitcoin declined in recent periods during which the inflation rate increased. Some investors and other market participants may disagree with our bitcoin acquisition strategy or actions we undertake to implement it. If bitcoin prices were to decrease or our bitcoin acquisition strategy otherwise proves unsuccessful, our financial condition, results of operations, and the market price of our Common Stock would be materially adversely impacted.

Additionally, we may seek to offer bitcoin or accept bitcoin as a form of payment to or from our vendors, service providers, customers and more as part of our strategy and goal to expand our clean solar power energy offerings and products. If this strategy fails to prove successful, we may not see the intended benefits sought by this strategy, or the payment using bitcoin may prove to be less valuable than anticipated, and if the value of bitcoin were to materially fall below where we purchased it, then we could lose all or part of our value in a transaction or our treasury account established for this purpose, the result of which could have a material negative impact on, among other items, our cashflows, operations, business prospects, financial performance, ability to continue operations and our stock price.

We will be subject to counterparty risks, including in particular risks relating to our custodians. Although we intend to implement various measures that are designed to mitigate our counterparty risks, including by possibly storing substantially all of the bitcoin we may own in custody accounts at U.S.-based, institutional-grade custodians and negotiating contractual arrangements intended to establish that our property interest in custodially-held bitcoin is not subject to claims of our custodians' creditors, applicable insolvency law is not fully developed with respect to the holding of digital assets in custodial accounts. If our custodially-held bitcoin were nevertheless considered to be the property of our custodians' estates in the event that any such custodians were to enter bankruptcy, receivership or similar insolvency proceedings, we could be treated as a general unsecured creditor of such custodians, inhibiting our ability to exercise ownership rights with respect to such bitcoin and this may ultimately result in the loss of the value related to some or all of such bitcoin. Even if we are able to prevent our bitcoin from being considered the property of a custodian's bankruptcy estate as part of an insolvency proceeding, it is possible that we would still be delayed or may otherwise experience difficulty in accessing our bitcoin held by the affected custodian during the pendency of the insolvency proceedings. Any such outcome could have a material adverse effect on our financial condition and the market price of our Common Stock.

The broader digital assets industry is subject to counterparty risks, which could adversely impact the adoption rate, price, and use of bitcoin. A series of high-profile bankruptcies, closures, liquidations, regulatory enforcement actions and other events relating to companies operating in the digital asset industry, including the filings for bankruptcy protection by Three Arrows Capital, Celsius Network, Voyager Digital, FTX Trading and Genesis Global Capital, the closure or liquidation of certain financial institutions that provided lending and other services to the digital assets industry, including Signature Bank and Silvergate Bank, SEC enforcement actions against Coinbase, Inc. and Binance Holdings Ltd., the placement of Prime Trust, LLC into receivership following a cease-and-desist order issued by Nevada's Department of Business and Industry, and the filing and subsequent settlement of a civil fraud lawsuit by the New York Attorney General against Genesis Global Capital, its parent company Digital Currency Group, Inc., and former partner Gemini Trust Company, have highlighted the counterparty risks applicable to owning and transacting in digital assets. Any similar bankruptcies, closures, liquidations and other events may not result in any loss or misappropriation of our intended bitcoin holdings, or adversely impact our access to our bitcoin holdings. Or, any such bankruptcies, closures, liquidations, regulatory enforcement actions or other events involving participants in the digital assets industry may negatively and materially impact the adoption rate, price, and use of bitcoin, limit the availability to us of financing collateralized by bitcoin, or create or expose additional counterparty risks.

Changes in the accounting treatment of our bitcoin holdings, if any, could have significant accounting impacts, including increasing the volatility of our results. In December 2023, the FASB issued ASU 2023-08, effective for fiscal years beginning after December 15, 2024, will require us to measure in-scope crypto assets (including our bitcoin holdings) at fair value in our statement of financial position, and to recognize gains and losses from changes in the fair value of our bitcoin in net income each reporting period. ASU 2023-08 will also require us to provide certain interim and annual disclosures with respect to our bitcoin holdings., with a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the annual reporting period in which we adopt the guidance. Due in particular to the volatility in the price of bitcoin, we expect the adoption of ASU 2023-08 to have a material impact on our financial results in future periods, increase the volatility of our financial results, and affect the carrying value of our bitcoin on our balance sheet, and it could also have adverse tax consequences, which in turn could have a material adverse effect on our financial results and the market price of our Common Stock. Additionally, as a result of ASU 2023-08 requiring a cumulative-effect adjustment to our opening balance of retained earnings as of the beginning of the annual period in which we adopt the guidance and not permitting retrospective restatement of our historical financial statements, our future results will not be comparable to results from periods prior to our adoption of the guidance.

The broader digital assets industry, including the technology associated with digital assets, the rate of adoption and development of, and use cases for, digital assets, market perception of digital assets, and the legal, regulatory, and accounting treatment of digital assets are constantly developing and changing, and there may be additional risks in the future that are not possible to predict.

Changes in our ownership of bitcoin could have accounting, regulatory and other impacts. While we currently intend to own bitcoin directly, we may investigate other potential approaches to owning bitcoin, including indirect ownership (for example, through ownership interests in a fund that owns bitcoin). If we were to own all or a portion of our bitcoin in a different manner, the accounting treatment for our bitcoin, our ability to use our bitcoin as collateral for additional borrowings, and the regulatory requirements to which we are subject, may correspondingly change. For example, the volatile nature of bitcoin may force us to liquidate our holdings to use it as collateral, which could be negatively materially effected by any disruptions in the crypto market, and if liquidated, the value of the collateral would not reflect potential gains in market value of bitcoin, all of which could negatively affect our business and implementation of our bitcoin strategy.

We may use the net proceeds from our offerings to purchase bitcoin, the price of which has been, and will likely continue to be, highly volatile.

We may use a portion of the net proceeds from one or more of our offerings to purchase bitcoin toward BTC purchases. Bitcoin is a highly volatile asset that has traded below $38,000 per bitcoin and above $108,000 per bitcoin on Coinbase in the 12 months preceding the date of this annual report. In addition, bitcoin does not pay interest or other returns, so the ability to generate a return on investment in bitcoin will depend on whether there is appreciation in the value of bitcoin following our purchases of bitcoin. Future fluctuations in bitcoin trading prices may result in our converting bitcoin purchased by us into cash with a value substantially below the then purchase price by us.

Bitcoin and other digital assets are novel assets, and are subject to significant legal, commercial, regulatory and technical uncertainty.

Bitcoin and other digital assets are relatively novel and are subject to significant uncertainty, which could adversely impact their price. The application of state and federal securities laws and other laws and regulations to digital assets is unclear in certain respects, and it is possible that regulators in the United States or foreign countries may interpret or apply existing laws and regulations in a manner that adversely affects the price of bitcoin.

The U.S. federal government, states, regulatory agencies, and foreign countries may also enact new laws and regulations, or pursue regulatory, legislative, enforcement or judicial actions, that could materially impact the price of bitcoin or the ability of individuals or institutions such as us to own or transfer bitcoin. For example, the U.S. executive branch, the SEC, the European Union's Markets in Crypto Assets Regulation, among others have been active in recent years, and in the U.K., the Financial Services and Markets Act 2023, or FSMA 2023 became law. It is not possible to predict whether, or when, any of these developments will lead to Congress granting additional authorities to the SEC or other regulators, or whether, or when, any other federal, state or foreign legislative bodies will take any similar actions. It is also not possible to predict the nature of any such additional authorities, how additional legislation or regulatory oversight might impact the ability of digital asset markets to function or the willingness of financial and other institutions to continue to provide services to the digital assets industry, nor how any new regulations or changes to existing regulations might impact the value of digital assets generally and bitcoin specifically. The consequences of increased regulation of digital assets and digital asset activities could adversely affect the market price of bitcoin and in turn adversely affect the market price of our Common Stock.

Moreover, the risks of engaging in a bitcoin treasury strategy are relatively novel and have created, and could continue to create, complications due to the lack of experience that third parties have with companies engaging in such a strategy, such as increased costs of director and officer liability insurance or the potential inability to obtain such coverage on acceptable terms in the future.

The growth of the digital assets industry in general, and the use and acceptance of bitcoin in particular, may also impact the price of bitcoin and is subject to a high degree of uncertainty. The pace of worldwide growth in the adoption and use of bitcoin may depend, for instance, on public familiarity with digital assets, ease of buying, accessing or gaining exposure to bitcoin, institutional demand for bitcoin as an investment asset, the participation of traditional financial institutions in the digital assets industry, consumer demand for bitcoin as a means of payment, and the availability and popularity of alternatives to bitcoin. Even if growth in bitcoin adoption occurs in the near or medium-term, there is no assurance that bitcoin usage will continue to grow over the long-term.

Because bitcoin has no physical existence beyond the record of transactions on the bitcoin blockchain, a variety of technical factors related to the bitcoin blockchain could also impact the price of bitcoin. For example, malicious attacks by miners, inadequate mining fees to incentivize validating of bitcoin transactions, hard "forks" of the bitcoin blockchain into multiple blockchains, and advances in digital computing, algebraic geometry, and quantum computing could undercut the integrity of the bitcoin blockchain and negatively affect the price of bitcoin. The liquidity of bitcoin may also be reduced and damage to the public perception of bitcoin may occur, if financial institutions were to deny or limit banking services to businesses that hold bitcoin, provide bitcoin-related services or accept bitcoin as payment, which could also decrease the price of bitcoin. Similarly, the open-source nature of the bitcoin blockchain means the contributors and developers of the bitcoin blockchain are generally not directly compensated for their contributions in maintaining and developing the blockchain, and any failure to properly monitor and upgrade the bitcoin blockchain could adversely affect the bitcoin blockchain and negatively affect the price of bitcoin.

Recent actions by U.S. banking regulators have reduced the ability of bitcoin-related services providers to gain access to banking services and liquidity of bitcoin may also be impacted to the extent that changes in applicable laws and regulatory requirements negatively impact the ability of exchanges and trading venues to provide services for bitcoin and other digital assets.

Regulatory change reclassifying bitcoin as a security could lead to our classification as an "investment company" under the Investment Company Act of 1940, as amended, or the 1940 Act, and could adversely affect the market price of bitcoin and the market price of our Common Stock.

Under Sections 3(a)(1)(A) and (C) of the 1940 Act, a company generally will be deemed to be an "investment company" for purposes of the 1940 Act if (1) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (2) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company," as such term is defined in the 1940 Act, and are not registered as an "investment company" under the 1940 Act as of the date of this annual report.

While senior SEC officials have stated their view that bitcoin is not a "security" for purposes of the federal securities laws, a contrary determination by the SEC could lead to our classification as an "investment company" under the 1940 Act, if the portion of our assets consists of investments in bitcoins exceeds 40% safe harbor limits prescribed in the 1940 Act, which would subject us to significant additional regulatory controls that could have a material adverse effect on our business and operations and may also require us to change the manner in which we conduct our business.

We monitor our assets and income for compliance under the 1940 Act and seek to conduct our business activities in a manner such that we do not fall within its definitions of "investment company" or that we qualify under one of the exemptions or exclusions provided by the 1940 Act and corresponding SEC regulations. If bitcoin is determined to constitute a security for purposes of the federal securities laws, we would take steps to reduce the percentage of bitcoins that constitute investment assets under the 1940 Act. These steps may include, among others, selling bitcoins that we might otherwise hold for the long term and deploying our cash in non-investment assets, and we may be forced to sell our bitcoins at unattractive prices. We may also seek to acquire additional non-investment assets to maintain compliance with the 1940 Act, and we may need to incur debt, issue additional equity or enter into other financing arrangements that are not otherwise attractive to our business. Any of these actions could have a material adverse effect on our results of operations and financial condition. Moreover, we can make no assurance that we would successfully be able to take the necessary steps to avoid being deemed to be an investment company in accordance with the safe harbor. If we were unsuccessful, and if bitcoin is determined to constitute a security for purposes of the federal securities laws, then we would have to register as an investment company, and the additional regulatory restrictions imposed by 1940 Act could adversely affect the market price of bitcoin and in turn adversely affect the market price of our Common Stock.

We may be subject to regulatory developments related to crypto assets and crypto asset markets, which could adversely affect our business, financial condition, and results of operations.

As bitcoin and other digital assets are relatively novel and the application of state and federal securities laws and other laws and regulations to digital assets is unclear in certain respects, and it is possible that regulators in the United States or foreign countries may interpret or apply existing laws and regulations in a manner that adversely affects the price of bitcoin. The U.S. federal government, states, regulatory agencies, and foreign countries may also enact new laws and regulations, or pursue regulatory, legislative, enforcement or judicial actions, that could materially impact the price of bitcoin or the ability of individuals or institutions such as us to own or transfer bitcoin. For examples, see "— Bitcoin and other digital assets are novel assets, and are subject to significant legal, commercial, regulatory and technical uncertainty" above.

If bitcoin is determined to constitute a security for purposes of the federal securities laws, the additional regulatory restrictions imposed by such a determination could adversely affect the market price of bitcoin and in turn adversely affect the market price of our Common Stock. See "— Regulatory change reclassifying bitcoin as a security could lead to our classification as an "investment company" under the Investment Company Act of 1940, as amended, or the 1940 Act, and could adversely affect the market price of bitcoin and the market price of our Common Stock" above. Moreover, the risks of us engaging in a bitcoin treasury strategy have created, and could continue to create, complications due to the lack of experience that third parties have with companies engaging in such a strategy, such as increased costs of director and officer liability insurance or the potential inability to obtain such coverage on acceptable terms in the future.

Our intended bitcoin holdings may be less liquid than our existing cash and cash equivalents and may not be able to serve as a source of liquidity for us to the same extent as cash and cash equivalents.

Historically, the bitcoin markets have been characterized by significant volatility in price, limited liquidity and trading volumes compared to sovereign currencies markets, relative anonymity, a developing regulatory landscape, potential susceptibility to market abuse and manipulation, compliance and internal control failures at exchanges, and various other risks inherent in its entirely electronic, virtual form and decentralized network. During times of market instability, we may not be able to sell our bitcoin at favorable prices or at all. For example, a number of bitcoin trading venues temporarily halted deposits and withdrawals in 2022. As a result, our bitcoin holdings may not be able to serve as a source of liquidity for us to the same extent as cash and cash equivalents. Further, bitcoin we may hold with our custodians and transact with our trade execution partners may not enjoy the same protections as are available to cash or securities deposited with or transacted by institutions subject to regulation by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. Additionally, we may be unable to enter into term loans or other capital raising transactions collateralized by our unencumbered bitcoin or otherwise generate funds using our bitcoin holdings, including in particular during times of market instability or when the price of bitcoin has declined significantly. If we are unable to sell our bitcoin, enter into additional capital raising transactions using bitcoin as collateral, or otherwise generate funds using our bitcoin holdings, or if we are forced to sell our bitcoin at a significant loss, in order to meet our working capital requirements, our business and financial condition could be negatively impacted.

Due to the unregulated nature and lack of transparency surrounding the operations of many bitcoin trading venues, bitcoin trading venues may experience greater fraud, security failures or regulatory or operational problems than trading venues for more established asset classes, which may result in a loss of confidence in bitcoin trading venues and adversely affect the value of our bitcoin.

Bitcoin trading venues are relatively new and, in many cases, unregulated. Furthermore, there are many bitcoin trading venues which do not provide the public with significant information regarding their ownership structure, management teams, corporate practices and regulatory compliance. As a result, the marketplace may lose confidence in bitcoin trading venues, including prominent exchanges that handle a significant volume of bitcoin trading and/or are subject to regulatory oversight, in the event one or more bitcoin trading venues cease or pause for a prolonged period the trading of bitcoin or other digital assets, or experience fraud, significant volumes of withdrawal, security failures or operational problems.

In 2019 there were reports claiming that 80-95% of bitcoin trading volume on trading venues was false or non-economic in nature, with specific focus on unregulated exchanges located outside of the United States. The SEC also alleged as part of its June 5, 2023, complaint that Binance Holdings Ltd. committed strategic and targeted "wash trading" through its affiliates to artificially inflate the volume of certain digital assets traded on its exchange. The SEC has also brought recent actions against individuals and digital asset market participants alleging such persons artificially increased trading volumes in certain digital assets through wash trades, or repeated buying and selling of the same assets in fictitious transactions to manipulate their underlying trading price. Such reports and allegations may indicate that the bitcoin market is significantly smaller than expected and that the United States makes up a significantly larger percentage of the bitcoin market than is commonly understood. Any actual or perceived false trading in the bitcoin market, and any other fraudulent or manipulative acts and practices, could adversely affect the value of our bitcoin. Negative perception, a lack of stability in the broader bitcoin markets and the closure, temporary shutdown or operational disruption of bitcoin trading venues, lending institutions, institutional investors, institutional miners, custodians, or other major participants in the bitcoin ecosystem, due to fraud, business failure, cybersecurity events, government-mandated regulation, bankruptcy, or for any other reason, may result in a decline in confidence in bitcoin and the broader bitcoin ecosystem and greater volatility in the price of bitcoin. For example, in 2022, each of Celsius Network, Voyager Digital, Three Arrows Capital, FTX, and BlockFi filed for bankruptcy, following which the market prices of bitcoin and other digital assets significantly declined. In addition, in June 2023, the SEC announced enforcement actions against Coinbase, Inc., and Binance Holdings Ltd., two providers of large trading venues for digital assets, which similarly was followed by a decrease in the market price of bitcoin and other digital assets. These were followed in November 2023, by an SEC enforcement action against Payward Inc. and Payward Ventures Inc., together known as Kraken, another large trading venue for digital assets. The price of our Common Stock may be affected by the value of our bitcoin holdings, the failure of a major participant in the bitcoin ecosystem could have a material adverse effect on the market price of our Common Stock.

If we or our third-party service providers experience a security breach or cyberattack and unauthorized parties obtain access to our bitcoin, or if our private keys are lost or destroyed, or other similar circumstances or events occur, we may lose some or all of our bitcoin and our financial condition and results of operations could be materially adversely affected.

Currently, we intend to hold any bitcoin we may own, in custody accounts at U.S.-based institutional-grade digital asset custodians. Security breaches and cyberattacks are of particular concern with respect to our bitcoin. Bitcoin and other blockchain-based cryptocurrencies and the entities that provide services to participants in the bitcoin ecosystem have been, and may in the future be, subject to security breaches, cyberattacks, or other malicious activities. For example, in October 2021 it was reported that hackers exploited a flaw in the account recovery process and stole from the accounts of at least 6,000 customers of the Coinbase exchange, although the flaw was subsequently fixed and Coinbase reimbursed affected customers. Similarly, in November 2022, hackers exploited weaknesses in the security architecture of the FTX Trading digital asset exchange and reportedly stole over $400 million in digital assets from customers. A successful security breach or cyberattack could result in:

- a partial or total loss of our bitcoin in a manner that may not be covered by insurance or the liability provisions of the custody agreements with the custodians who hold our bitcoin;
- harm to our reputation and brand;
- improper disclosure of data and violations of applicable data privacy and other laws; or
- significant regulatory scrutiny, investigations, fines, penalties, and other legal, regulatory, contractual and financial exposure.

Further, any actual or perceived data security breach or cybersecurity attack directed at other companies with digital assets or companies that operate digital asset networks, regardless of whether we are directly impacted, could lead to a general loss of confidence in the broader bitcoin blockchain ecosystem or in the use of the bitcoin network to conduct financial transactions, which could negatively impact us.

Attacks upon systems across a variety of industries, including industries related to bitcoin, are increasing in frequency, persistence, and sophistication, and, in many cases, are being conducted by sophisticated, well-funded and organized groups and individuals, including state actors. The techniques used to obtain unauthorized, improper or illegal access to systems and information (including personal data and digital assets), disable or degrade services, or sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized or detected until after they have been launched against a target. These attacks may occur on our systems or those of our third-party service providers or partners. We may experience breaches of our security measures due to human error, malfeasance, insider threats, system errors or vulnerabilities or other irregularities. In particular, we expect that unauthorized parties will attempt to gain access to our systems and facilities, as well as those of our partners and third-party service providers, through various means, such as hacking, social engineering, phishing and fraud. Threats can come from a variety of sources, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, and insiders. In addition, certain types of attacks could harm us even if our systems are left undisturbed. For example, certain threats are designed to remain dormant or undetectable, sometimes for extended periods of time, or until launched against a target and we may not be able to implement adequate preventative measures. Further, there has been an increase in such activities due to the increase in work-from-home arrangements. The risk of cyberattacks could also be increased by cyberwarfare in connection with the ongoing Russia-Ukraine and Israel-Hamas conflicts, or other future conflicts, including potential proliferation of malware into systems unrelated to such conflicts. Any future breach of our operations or those of others in the bitcoin industry, including third-party services on which we rely, could materially and adversely affect our financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

The Company has an information security program designed to identify, mitigate, respond to and manage reasonably foreseeable cybersecurity risks and threats. The program is overseen by the Chief Operating Officer. The COO in conjunction with senior management conducts periodic reviews of cybersecurity control, policies, and procedures to ensure relevance and effectiveness for the Company's needs and operating environment. The COO has previously led IT programs in his past work experiences and is able to apply those experiences to the Company. The audit and finance committee of the board has discussions with management on an annual basis about the Company's risk assessment and risk management policies, particularly in the areas of financial reporting, internal controls, and compliance with legal and regulatory requirements.

One aspect of the Company's information security program is focused on vendor selection. The Company evaluates all third-party vendors and service providers for their cybersecurity features and compliance with security requirements. Selected vendors, for example, must employ a variety of security measures to protect against unauthorized access, data breaches, and data loss. The Company remains committed to maintaining the highest standards of data security and ensuring the integrity and confidentiality of our data.

Our business strategy, results of operations and financial condition have not been materially affected by risks from cybersecurity threats, including as a result of previously identified cybersecurity incidents, but we cannot provide assurance that they will not be materially affected in the future by such risks or any future material incidents. For more information on our cybersecurity related risks, see Item 1A, "Risk Factors," of this Annual Report on Form 10-K.

ITEM 2. PROPERTIES

The following is a summary of the Company's leased property:

- The Company leases 10,000 square feet of office and warehouse space in Aiea, Hawaii.
- SUNation leases 20,000 square feet of office and warehouse space in Ronkonkoma, New York and 3,000 square feet of office and warehouse space in Tampa, FL.

The Company believes these facilities will be adequate to accommodate its needs for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various claims arising in the ordinary course of business, including some which we believe are immaterial or which we believe to be frivolous, including actions with respect to contractual matters. In connection with these matters, we assess, on a regular basis, the probability and range of possible loss based on the developments in these matters. In February 2025, an action by a landlord to recover approximately $34,000 plus attorneys' fees and punitive damages based upon an alleged breach of the lease between Remington Industrial Management LLC and Sunation Solar Systems, Inc. The landlord asserts that Sunation Solar Systems, Inc. has the obligation to insure the entire building rather than keep in full force and effect "fire and hazard insurance for the full replacement value of all improvements located on the demised premise" as specifically provided in the lease rider. Sunation Solar Systems denies that it has an obligation to insure the entire building under the express terms of the lease which is not a "triple net lease." The landlord has asserted three causes of action for breach of contract, declaratory judgment that the lease requires Sunation to insure the building itself, and a third vague "fraud" theory. The claims against SUNation Energy, Inc. based upon vague allegations of fraud are likely unsustainable. The claims are baseless and frivolous and defendants intend to vigorously defend them.

From time to time, we also face threatened legal actions or claims in the ordinary course of our business. One such matter involves a residential customer who has informally alleged that Sunation Solar Systems is responsible for the cost to replace certain equipment by a third-party manufacturer that was found to be admittedly defective (by the manufacturer), the cost of which may be substantial. At the moment, SUNation Energy, Inc. has not been included in the claim or allegations; however, to the extent that litigation is commenced, the Company intends to vigorously defend against these as yet unasserted claims.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's common stock trades on the Nasdaq Capital Market under the trading symbol SUNE.

Holders

At March 31, 2025, there were approximately 84 registered holders of record of SUNation Energy, Inc. common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents information about the Company's equity compensation plans, under which equity securities of the Company are authorized for issuance, as of December 31, 2024:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options warrants and rights (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding shares in first column)
Equity compensation plans approved by security holders: (3)			
2022 Employee Stock Purchase Plan	—	$ —	400
2022 Equity Incentive Plan	237	$ —	12,482
Equity compensation plans not approved by security holders:			
SUNation Inducement Grants	60	$ —	—
TOTAL	297	$ —	12,882

(1) Includes outstanding awards under the 2022 Equity Incentive Plan, as well as restricted stock units outstanding under inducement grants made to the Company's newly-hired Chief Financial Officer in October 2022 and to newly-hired employees in connection with the SUNation acquisition in November 2022, in each case in accordance with Nasdaq Listing Rule 5635(c)(4).

(2) Only restricted stock units are outstanding, which do not have an exercise price; they are settled in shares of our common stock on a one-for-one basis at no additional cost.

(3) Includes the Pineapple Energy Inc. 2022 Equity Incentive Plan (the "Equity Plan") and the Pineapple Energy Inc. 2022 Employee Stock Purchase Plan (the "ESPP"). The Equity Plan provides for the grant of stock options, stock appreciation rights, restricted stock awards, stock unit awards and other stock-based awards to employees, non-employee directors and consultants and advisors to the Company. The number of shares of Company common stock available for issuance under the Equity Plan initially was 1,000 and was increased to 13,333 after shareholder approvals on December 7, 2022 and July 19, 2024. The ESPP was approved by shareholders on December 7, 2022, and provides for the purchase by eligible employees of shares of the Company's common stock at a discount to the market price. The number of shares authorized for issuance under the ESPP was initially 267 and was increased to 667 by shareholder approval on December 14, 2023.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and the related notes that appear elsewhere in this report.

Overview

SUNation Energy Inc. (formerly Communications Systems, Inc. ("CSI"), Pineapple Holdings, Inc. and Pineapple Energy Inc.) (herein referred to as "SUNation Energy," "SUNE," "our," "we" or the "Company") was originally organized as a Minnesota corporation in 1969. On March 28, 2022, the Company completed its previously announced merger transaction with Pineapple Energy LLC ("Pineapple Energy") in accordance with the terms of a merger agreement, pursuant to which a subsidiary of the Company merged with and into Pineapple Energy, with Pineapple Energy surviving the merger as a wholly owned subsidiary of the Company (the "merger"). Following the closing of the merger (the "Closing") the Company changed its name from Communications Systems, Inc. to Pineapple Holdings, Inc. and subsequently, on April 13, 2022, changed its name to Pineapple Energy Inc.

On November 14, 2024, the Company filed articles of conversion with the Secretary of State of the State of Minnesota and filed a certificate of conversion with the Secretary of State of the State of Delaware changing its jurisdiction of incorporation from Minnesota to Delaware (the "Reincorporation"), as well as having filed a Certificate of Incorporation with the Secretary of State of the State of Delaware on this same date. Concurrently with the Reincorporation, the Company also effectuated a change to its name from Pineapple Energy, Inc. to SUNation Energy, Inc., and to its stock trading symbol from PEGY to SUNE, effective November 19, 2024.

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

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

On June 30, 2023, the Company divested its legacy operations and operating assets through the sale of substantially all of the assets of its JDL Technologies, Inc. ("JDL") and Ecessa Corporation ("Ecessa") businesses. See Note 5, Discontinued Operations. As a result, unless otherwise noted, all information in this report on Form 10-K related to the JDL and Ecessa businesses are discussed and presented as discontinued operations and the Company reports its remaining business operations as continuing operations.

Bitcoin Strategy

WE ARE NOT REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940 AND STOCKHOLDERS DO NOT HAVE THE PROTECTIONS ASSOCIATED WITH OWNERSHIP OF SHARES IN A REGISTERED INVESTMENT COMPANY NOR THE PROTECTIONS AFFORDED BY THE COMMODITIES EXCHANGE ACT.

In January 2025, our board of directors approved and adopted a corporate treasury strategy, adopting the inclusion of bitcoin ("BTC") as a treasury reserve asset on an ongoing basis, subject to, among other factors, market conditions, the Company's operational requirements, including in support of its planned expansion strategy, and our anticipated cash needs, instead of solely looking to keep cash in short and intermediate-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. federal government. As part of this strategy, we may allocate a minority portion of our excess cash, calculated based on our estimated six-month operating expenses, toward BTC purchases.

Since 2003, we have been designing, developing, and providing solar energy solutions tailored to customers in the information technology and technology sectors. The Company believes this BTC initiative further solidifies its role in supporting the new digital economy and its expanding energy needs in an environmentally conscious manner. Accordingly, this strategic initiative aligns with the Company's goal to enable BTC as a possible payment option for its customers and suppliers as part of its core mission to make solar power more accessible.

We believe it has unique characteristics as a scarce and finite asset that can serve as a reasonable inflation hedge and safe haven amid global instability. Bitcoin is often compared by some to gold, the latter of which has been viewed as a dependable store of value throughout history. As of January 3, 2025, the total market capitalization of gold was approximately $17.8 trillion compared to nearly $1.95 trillion for bitcoin. Bitcoin is a highly volatile asset that has traded below $38,000 per bitcoin and above $108,000 per bitcoin on Coinbase in the 12 months preceding the date of this annual report. While highly volatile, bitcoin's price has also appreciated significantly since bitcoin's inception in January 2009 (at zero per bitcoin). We believe that a substantial portion of bitcoin's appreciation is attributable to the view that bitcoin is or will become a reliable store of value. Like gold, bitcoin is also viewed as a scarce asset; the ultimate supply of bitcoin is limited to 21 million coins and approximately 94.5% of its supply already exists.

We believe that bitcoin's finite, digital and decentralized nature as well as its architectural resilience make it a highly attractive and potentially highly appreciable asset. We also believe that the growing global acceptance across sectors, public and private companies and other "institutionalization" of bitcoin, including in some governments integrating bitcoin into their financial strategies as a hedge against inflation, macro-economic instability, and geopolitical risks facing global economies, supports our view that bitcoin is a reliable store of value. We believe that bitcoin's unique attributes discussed above not only differentiate it from fiat money, but also from other cryptocurrency assets, and for that reason, we have no plans to purchase cryptocurrency assets other than bitcoin.

Reverse Stock Splits

June 2024 Reverse Stock Split

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

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

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

As a result of the June Reverse Stock Split, at 12:01 a.m. Central Time on the June Effective Date, every 15 shares of common stock then issued and outstanding automatically were combined into one share of common stock, with no change in par value per share. No fractional shares were outstanding following the June Reverse Stock Split, and any fractional shares that would have resulted from the June Reverse Stock Split were settled in cash. The number of shares of common stock outstanding was reduced from 108,546,773 to 7,235,731, with 720.901 fractional shares paid out in cash totaling $1,132. The total number of shares authorized for issuance was reduced to 7,500,000 in proportion to the June Reverse Stock Split ratio.

October 2024 Reverse Stock Split

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

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

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

As a result of the October Reverse Stock Split, at 12:01 a.m. Central Time on the October Effective Date, every 50 shares of common stock then issued and outstanding automatically were combined into one share of common stock, with no change in par value per share. No fractional shares were outstanding following the Reverse Stock Split, and any fractional shares that would have resulted from the October Reverse Stock Split were settled in cash. The number of shares of common stock outstanding was reduced from 67,260,696 to 1,344,841, with 372.92 fractional shares payable in cash totaling $1,891. The total number of shares authorized for issuance was reduced from 133,333,333 to 2,666,667 in proportion to the October Reverse Stock Split ratio. The number of shares authorized for issuance was later increased to 25,000,000 as a result of the Reincorporation.

Effective as of the same time as the June 2024 Reverse Stock Split and October 2024 Reverse Stock Split (collectively known as the “Reverse Stock Splits”), the number of shares of common stock available for issuance under the Company's equity compensation plans were automatically reduced in proportion to the Reverse Stock Splits ratio. Upon effectiveness, the Reverse Stock Splits also resulted in reductions in the number of shares of common stock issuable upon exercise or vesting of equity awards in proportion to the Reverse Stock Splits ratios and caused a proportionate increase in exercise price or share-based performance criteria, if any, applicable to such awards.

Forward Looking Statements

In this report and from time to time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, we may make “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. We may make these forward-looking statements concerning possible or anticipated future financial performance, business activities, plans, pending claims, investigations or litigation, which are typically preceded by the words “believes,” “expects,” “anticipates,” “intends” or similar expressions. For these forward-looking statements, the Company claims the protection of the safe harbor for forward-looking statements contained in federal securities laws. Shareholders and the investing public should understand that these forward-looking statements are subject to risks and uncertainties that could cause actual performance, activities, anticipated results, outcomes or plans to differ significantly from those indicated in the forward-looking statements. For a detailed discussion of a number of these risk factors, please see Item 1A, “Risk Factors,” of this Annual Report on Form 10-K.

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.

While our significant accounting policies are more fully described in Note 2, Summary of Significant Accounting Policies, to the Consolidated Financial Statements included elsewhere in this report, we believe the following discussion addresses our most critical accounting estimates, which involve significant subjectivity and judgment, and changes to such estimates or assumptions could have a material impact on our financial condition or operating results. Therefore, we consider an understanding of the variability and judgment required in making these estimates and assumptions to be critical in fully understanding and evaluating our reported financial results.

Income Taxes: In the preparation of the Company’s consolidated financial statements, management calculates income taxes. This includes estimating the Company’s current tax liability as well as assessing temporary 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. These assets and liabilities are analyzed regularly and management assesses the likelihood it will realize these deferred assets from future taxable income. We determine the valuation allowance for deferred income tax benefits based upon the expectation of whether the benefits are more likely than not to be realized. The Company records interest and penalties related to income taxes as income tax expense in the consolidated statements loss and comprehensive loss.

Goodwill: Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the assets acquired and liabilities assumed from acquisitions. We test goodwill for impairment annually on October 1 or more frequently if events and circumstances warrant. Such events and circumstances may be a significant change in our business climate, economic and industry trends, legal factors, negative operating performance indicators, significant competition or changes in strategy. We perform our goodwill impairment test at the reporting unit level, which is the same as our operating segments.

An impairment charge for goodwill is recognized only when the estimated fair value of a reporting unit, including goodwill, is less than its carrying amount. In applying the goodwill impairment assessment, the Company may assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. Qualitative factors may include, but are not limited to, economic, market and industry conditions, cost factors and overall financial performance of the reporting unit. If after assessing these qualitative factors, the Company determines it is "more-likely-than not" that the fair value is less than the carrying value, a quantitative assessment of goodwill is required. The quantitative impairment test requires judgment, including the identification of reporting units, the assignment of assets, liabilities and goodwill to reporting units, and the determination of fair value of each reporting unit. The impairment test requires the comparison of the fair value of each reporting unit with its carrying amount, including goodwill. We estimate the reporting units' fair value using a combination of the income approach based upon projected discounted cash flows of the reporting unit and the market approach based upon the market multiple of comparable publicly traded companies. If the estimated fair value of the reporting entity exceeds the carrying value, the goodwill is not impaired, and no further review is required. However, if the carrying value exceeds the estimated fair value of the reporting unit, an impairment expense should be recognized for the excess of the carrying value over the fair value.

Under the income approach, the estimated discounted cash flows are based on the best information available to us at the time, including supportable assumptions and projections we believe are reasonable. Our discounted cash flow estimates use discount rates that correspond to a weighted-average cost of capital consistent with a market-participant view. Certain other key assumptions utilized, including revenue and cash flow projections, are based on estimates consistent with those utilized in our annual budgeting and planning process that we believe are reasonable. However, if we do not achieve the results reflected in the assumptions and estimates, our goodwill impairment evaluations could be adversely affected, and we may impair a portion or all of our goodwill, which would adversely affect our operating results in the period of impairment.

The market approach identifies the revenue multiples of comparable publicly traded companies. The reporting unit's revenue projections are multiplied by the market multiple to estimate its current estimated fair value. If the market multiples or revenue value assumptions are incorrect, our goodwill impairment evaluation could also be adversely affected, and we may impair a portion or all of our goodwill, which would adversely affect our operating results in the period of impairment.

As of October 1, 2024, we performed a qualitative assessment to evaluate any circumstances and events impacting our reporting units to determine the likelihood of goodwill impairment. We concluded it was more likely than not that the fair value of our reporting units exceeded its carrying value. To corroborate this conclusion, we compared the carrying value of our reporting units to a valuation of our outstanding equity including consideration of a reasonable control premium.

During the fourth quarter of 2024, as a result of a material decline in our stock price and forecasted revenues and operating results, we performed an interim quantitative analysis as of December 31, 2024. Based on the results of this analysis, we concluded that the fair value of our HEC reporting unit did not exceed its carrying value as of December 31, 2024 and recorded an impairment loss of $3.1 million in our consolidated statements of operations, reducing our HEC goodwill balance to $6.7 million and our consolidated goodwill balance to $17.4 million. There was no impairment indication within our SUNation reporting unit as there was adequate cushion of 80% between the fair value and carrying value of the reporting unit.

No goodwill impairment was recorded during the year ended December 31, 2023.

Convertible Preferred Stock and Warrants: In March 2022, the Company issued shares of Series A convertible preferred stock (the "Convertible Preferred Stock") and PIPE Warrants to investors as part of a $32.0 million private investment in public equity ("PIPE") transaction. The proceeds from the issuance of the Convertible Preferred Stock were allocated between the Convertible Preferred Stock and PIPE Warrants using a relative fair value method. The Company accounts for the Convertible Preferred Stock and PIPE Warrants based on an assessment of the specific terms and applicable authoritative guidance in Accounting Standards Codification ("ASC") 480, "Distinguishing Liabilities from Equity", and ASC 815, "Derivatives and Hedging". The Convertible Preferred Stock was originally reported as part of permanent equity and the PIPE Warrants were originally determined to be equity-classified. As discussed in Notes 2 and 12, the Convertible Preferred Stock and PIPE Warrants were modified during the first quarter of 2024, which resulted in the Company not having sufficient authorized and unissued shares to settle the conversion and exercise to common stock and the reclassification of the Convertible Preferred Stock to mezzanine equity and the PIPE Warrants to a liability. During the third quarter of 2024, the Company received the appropriate shareholder approval on an increase in authorized shares and the Convertible Preferred Stock and PIPE Warrants were reclassified to equity.

Embedded Derivative Liability: The Company's Decathlon Fixed Loan includes a mandatory prepayment feature upon a contingent event that is considered an embedded derivative that requires bifurcation under ASC 815. The Company's Conduit and MBB loans include an acceleration of amounts outstanding under the loan agreements upon an event of default or if the Company consummates one or more equity offerings meeting certain criteria that is considered an embedded derivative that requires bifurcation. Under ASC 815, the embedded derivative is bifurcated and recorded at fair value at inception and each subsequent reporting period. However, based on management's estimates of the likelihood of certain events, the embedded derivative liability related to the Decathlon Fixed Loan had no fair value at issuance and at the end of December 31, 2023. As of December 31, 2024, the fair value of this embedded derivative was ascribed value. See further discussion in Note 9. The Conduit and MBB embedded derivatives were ascribed a fair value at issuance and were fair valued at December 31, 2024 with the change in fair value recorded within Other (expense) income within the condensed consolidated statements of operations and comprehensive income (loss).

Results of Operations

Consolidated Results

The following table summarizes our consolidated results for the years ended December 31, 2024 and 2023:

	2024		2023		Change	
	Amount	% of Sales	Amount	% of Sales	$	%
Sales	$ 56,861,753	100%	$ 79,632,709	100%	$ (22,770,956)	-28.6%
Cost of sales	36,435,509	64%	51,936,519	65%	(15,501,010)	-29.8%
Gross profit	20,426,244	36%	27,696,190	35%	(7,269,946)	-26.2%
Operating expenses:						
Selling, general and administrative expenses	27,054,166	48%	29,074,578	37%	(2,020,412)	-6.9%
Amortization expense	2,837,500	5%	4,738,477	6%	(1,900,977)	-40.1%
Fair value remeasurement of SUNation earnout consideration	(1,000,000)	-2%	1,350,000	2%	(2,350,000)	-174.1%
Goodwill impairment loss	3,101,981	5%	—	0%	3,101,981	
Intangible asset impairment loss	750,000	1%	—	0%	750,000	
Total operating expenses	32,743,647	58%	35,163,055	44%	(2,419,408)	-6.9%
Operating loss from continuing operations	(12,317,403)	-22%	(7,466,865)	-9%	(4,850,538)	65.0%
Other (expense) income:						
Investment and other income	144,529	0%	191,584	0%	(47,055)	-24.6%
(Loss) gain on sale of assets	(822)	0%	437,116	1%	(437,938)	-100.2%
Fair value remeasurement of warrant liability	(974,823)	-2%	—	0%	(974,823)	
Fair value remeasurement of embedded derivative liability	(65,617)	0%	—	0%	(65,617)	
Fair value remeasurement of contingent value rights	522,257	1%	2,674,966	3%	(2,152,709)	-80.5%
Interest expense	(3,087,450)	-5%	(2,657,517)	-3%	(429,933)	16.2%
Loss on debt extinguishment	(35,657)	0%	—	0%	(35,657)	
Other (expense) income, net	(3,497,583)	-6%	646,149	1%	(4,143,732)	-641.3%
Operating loss from continuing operations before income taxes	(15,814,986)	-28%	(6,820,716)	-9%	(8,994,270)	131.9%
Income tax expense	34,819	0%	119,176	0%	(84,357)	-70.8%
Net loss from continuing operations	(15,849,805)	-28%	(6,939,892)	-9%	(8,909,913)	128.4%
Net loss from discontinued operations, net of tax	—	0%	(1,192,275)	-1%	1,192,275	-100.0%
Net loss	$ (15,849,805)	-28%	(8,132,167)	-10%	$ (7,717,638)	94.9%

Consolidated sales decreased 29% to $56,861,753 in 2024 from $79,632,709 in 2023, with declines in all revenue streams. The overall decrease in consolidated sales is due to overall industry contraction in the residential solar market. On a consolidated basis, overall kilowatts installed on residential projects decreased 12% in 2024 from 2023 with a 18% decrease in price per watt due to lower battery kilowatts installed within HEC.

Consolidated gross profit decreased 26% to $20,426,244 in 2024 as compared to gross profit of $27,696,190 in 2023 due primarily to the decrease in revenue at both SUNation and HEC. Gross margin increased to 35.9% in 2024 compared to 34.8% in 2023.

Consolidated operating expenses decreased 6.9% to $32,743,647 in 2024 as compared to $35,163,055 in 2023. Consolidated selling, general and administrative expenses decreased 6.9% to $27,054,166 in 2024 from $29,074,578 in 2023, due primarily to a $1,830,189 decrease in selling, general and administrative costs associated with SUNation and HEC. Corporate general and administrative expenses decreased 2.6% or $190,223 to $7,257,844 due primarily to a $1,103,039 decrease in expenses associated with Legacy CSI assets and a $1,183,954 decrease in stock compensation expense, partially offset by $1,300,000 in expense on loss contingencies related to certain prior securities issuances and an increase in legal and professional fees on the corporate restructuring efforts during 2024. Amortization expense decreased by $1,900,977 to $2,837,500 in 2024 due to the completion of the amortization of certain intangible assets in late 2023. The fair value remeasurement related to the SUNation acquisition earnout consideration in 2024 was a gain of $1,000,000 compared to a loss of $1,350,000 in 2023. The Company also recorded a $3,101,981 goodwill impairment loss within the HEC segment and a $750,000 intangible asset impairment loss during 2024 related to technology related intangible assets within the HEC segment.

Consolidated other income decreased $5,031,926 to expense of $(4,385,777) in 2024 as compared to income of $646,149 in 2023. The decrease was related to a $429,933 increase in interest and accretion expense, a $974,823 fair value remeasurement loss on the embedded derivative liability, a $2,152,709 decrease in fair value remeasurement gain on the CVRs, a $974,823 fair value remeasurement loss on the warrant liability, and a $437,938 decrease in gain on sale of assets.

Consolidated operating loss from continuing operation s before income taxes in 2024 was $15,814,986, compared to a consolidated operating loss from continuing operations before income taxes of $6,820,716 in 2023. Net loss from continuing operations attributable to shareholders in 2024 (after taking into effect $11,587,121 in deemed dividends) was $27,436,926, or ($50.58) per diluted share. Net loss from continuing operations in 2023 was $6,939,892, or ($521.89) per diluted share from continuing operations.

SUNation Operating Results

SUNation sales decreased 24% or $12,630,348, to $39,733,362 in 2024 as compared to $52,363,710 in 2023. Sales in 2024 and 2023 by type were as follows:

	Revenue by Type	
	2024	**2023**
Residential contracts	$ 30,715,255	$ 39,326,408
Commercial contracts	6,700,469	9,903,437
Service revenue	2,317,638	3,133,865
	$ 39,733,362	$ 52,363,710

Residential contract sales decreased $8,611,153, or 22%, due to a 12% reduction in residential kilowatts installed and a decrease in average price per system installed as result of lower financing fees. Overall the acceleration of projects in the last quarter of 2023 led to approval bottlenecks at the outset of 2024 which was further hampered by some supply chain disruption from a change in suppliers. The residential market within the solar industry has seen an overall decline in installations due to higher interest rates in the first 9 months of 2024. Commercial contract sales decreased $3,202,968, or 32%, due timing of commercial projects where the prior year had some larger projects complete early in 2023 and there were delays in the current year in the start of commercial pipeline projects into the second half of 2024.

Gross profit decreased 22% to $15,093,668 in 2024 as compared to gross profit of $19,370,809 in 2023 due primarily to the decrease in revenue. Gross margin increased to 38.0% in 2024 compared to 37.0% in 2023 due primarily to an increase in residential gross margins on lower financing fees in 2024.

Selling, general and administrative expenses decreased 6% to $15,265,443 in 2024 (38% as a percentage of sales) as compared to $16,178,126 in 2023 (31% as a percentage of sales), due primarily to a decrease in personnel costs on lower headcount.

Amortization expense decreased 40% to $812,500 in 2024 as compared to $1,362,500 in 2023 due to certain intangible assets becoming fully amortized at the end of 2023.

HEC Operating Results

HEC sales decreased 37% or $10,140,608, to $17,128,391 in 2024 as compared to $27,268,999 in 2023. Sales in 2024 and 2023 by type were as follows:

	Revenue by Type	
	2024	**2023**
Residential contracts	$ 15,984,618	$ 24,855,946
Commercial contracts	429,259	1,380,466
Service revenue	714,514	673,544
Software revenue	—	347,550
Other	—	11,493
	$ 17,128,391	$ 27,268,999

Residential contract sales decreased $8,871,328, or 36%, due to a 12% reduction in residential kilowatts installed and a decrease in average price per system installed as result of a 51% decrease in battery capacity installed. In the first half of 2024, the Battery Bonus program in Hawaii ended. Under this program, customers were paid a cash incentive and provided energy bill credits to add energy storage to an existing or new rooftop solar system. Commercial contract sales decreased $951,207, or 32%, due to timing of projects. HEC has limited commercial projects and the revenue from this revenue stream can fluctuate year over year. The decrease in software revenue is due to a licensing arrangement for the use of software in 2023.

Gross profit decreased 36% to $5,332,577 in 2024 as compared to gross profit of $8,325,381 in 2023 due primarily to the decrease in revenue. Gross margin increased slightly to 31.1% in 2024 compared to 30.5% in 2023.

Selling, general and administrative expenses decreased 17% to $4,530,879 in 2024 (26% as a percentage of sales) as compared to $5,448,385 in 2023 (20% as a percentage of sales), due primarily to a decrease in commissions expense and gross excise taxes on lower revenue.

Liquidity and Capital Resources

As of December 31, 2024, the Company had approximately $1,151,348 in cash, restricted cash and cash equivalents, and liquid investments, compared to $5,396,343 at December 31, 2023. Of this amount, $368,138 was invested in short-term money market funds that are not considered to be bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency. These money market funds seek to preserve the value of the investment at $1.00 per share; however, it is possible to lose money investing in these funds. The remainder in cash and cash equivalents is operating cash.

Of the amounts of cash, restricted cash, and restricted cash equivalents on the balance sheet at December 31, 2024, $312,080 consist of funds that can only be used to support the legacy CSI business, will be distributed to CVR holders and cannot be used to support the working capital needs of the SUNation Energy business.

The Company had working capital of $(16,051,658), consisting of current assets of approximately $11,110,385 and current liabilities of $27,162,043 at December 31, 2024 compared to working capital of $(6,594,834), consisting of current assets of $15,778,648 and current liabilities of $22,373,482 at the end of 2023.

Cash flow used in operating activities was approximately $6,302,686 in 2024 compared to $667,177 used in 2023. The negative cash flow from operations is primarily driven by the decrease in the Company's operating profit and the increase in interest expense. Significant working capital changes in 2024 included a decrease in inventories of $853,518, an increase in other accrued liabilities of $1,402,564 due to the $1,300,000 accrual for loss contingencies, a decrease in accrued compensation and benefits for $563,333, and an increase in other assets of $577,872, primarily due to an increase in costs and estimated earnings in excess of billings on commercial projects in process at year end.
Cash used in investing activities was $26,667 in 2024 compared to $3,567,278 provided in 2023. Net cash provided in 2023 was the result of proceeds from the sale of investments and proceeds from the sale of the JDL and Ecessa assets included within discontinued operations, partially offset by capital expenditures.

Net cash provided by financing activities was $2,084,358 in 2024 compared to $2,760,236 used in 2023. Net cash provided by financing activities in 2024 was due to $1,000,000 in proceeds from the issuance of common stock under a registered direct offering, $2,457,352 in proceeds from the issuance of common stock under the at-the-market offering and $1,604,000 in borrowings from Conduit Capital US Holdings LLC ("Conduit") and MBB Energy, LLC ("MBB"), partially offset by $1,595,364 in payments against loans payable and $856,736 in CVR distributions. Net cash used in financing activities in 2023 was due to $3,036,676 in CVR distributions and $5,000,000 in payments against the SUNation Short-Term Note and $1,500,000 in payments against the Hercules Capital, Inc. ("Hercules") term loan, as discussed further in Note 9, Commitments and Contingencies, partially offset by $7,500,000 in borrowings from Decathlon Specialty Finance, LLC ("Decathlon").

In connection with the SUNation Acquisition, on November 9, 2022, the Company issued a $5,000,000 Short-Term Limited Recourse Secured Promissory Note (the "Short-Term Note") and a $5,486,000 Long-Term Promissory Note (the "Long-Term Note"). The Short-Term Note was secured as described below and was scheduled to mature on August 9, 2023. It carried an annual interest rate of 4% until the three-month anniversary of issuance, 8% thereafter until the six-month anniversary of issuance, then 12% thereafter until the Short-Term Note is paid in full. The Short-Term Note was paid in full in conjunction with the Decathlon loan. The Long-Term Note is unsecured and initially 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 is 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 original Long-Term Note was amended and restated as follows: The principal amount of $5,486,000 previously due and payable under the original Long Term Note, together with all accrued and unpaid interest owing thereunder, shall be due and payable on May 1, 2028 (the "Maturity Date"), and such amended note shall become a senior secured instrument. Principal and interest payments under the amended Long-Term Note shall be payable monthly on the first day of each month commencing with June 1, 2025 for thirty-six (36) consecutive months thereafter pursuant to the terms thereunder. 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 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 note holders at the time of such earnout payment trigger date.

Based on the Company's current financial position, which includes approximately $0.3 million of restricted cash, cash equivalents and investments that are restricted under the CVR agreement and cannot be used by the Company for its own working capital needs, and the Company's forecasted future cash flows for twelve months beyond the date of issuance of these financial statements, substantial doubt exists around the Company's ability to continue as a going concern for a reasonable period of time. As noted in Note 17, Subsequent Events, the Company raised capital and satisfied certain outstanding debt obligations subsequent to year end, however there remains uncertainty related to our future cash flows as it relies on the ability to generate enough cash flow from its operating segments to cover the Company's corporate overhead costs.

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

Contingent Value Rights and Impact on Cash

The Company issued CVRs prior to the closing of the merger to CSI shareholders of record on the close of business on March 25, 2022. The CVR entitles the holder to a portion of the cash, cash equivalents, investments and net proceeds of any divestiture, assignment, or other disposition of all legacy assets of CSI and/or its legacy subsidiaries, JDL and Ecessa, that are related to CSI's pre-merger business, assets, and properties that occur during the period following the closing of the merger and ending initially on March 28, 2024, but was extended through December 31, 2024 by the First Amendment to the Contingent Value Rights Agreement entered into on March 27, 2024. This was extended again through December 31, 2025 by the Second Amendment to the Contingent Value Rights Agreement entered into on December 30, 2024. The CVR liability as of December 31, 2024 was estimated at $312,080 and represented the estimated fair value as of that date of the legacy CSI assets to be distributed to CVR holders as of that date. This amount is recorded as a current liability that includes the remaining restricted cash and cash equivalents and payables related to the legacy CSI business. The proceeds from CSI's pre-merger business working capital and related long term-assets and liabilities are not available to fund the working capital needs of the post-merger company.

New Accounting Pronouncements

See Note 2, Summary of Significant Accounting Policies, to the Consolidated Financial Statements included elsewhere in this report for a discussion of new accounting standards.

Off Balance Sheet Arrangements

None.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has no freestanding or embedded derivatives. The Company's policy is to not use freestanding derivatives and to not enter into contracts with terms that cannot be designated as normal purchases or sales.

The Company's investments are in money markets that earn interest at prevailing market rates and as such do not have material risk exposure.

Based on the Company's operations, in the opinion of management, the Company is not exposed to material future losses due to market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF MANAGEMENT

The management of SUNation Energy, Inc. and its subsidiary companies is responsible for the integrity and objectivity of the financial statements and other financial information contained in the annual report. The financial statements and related information were prepared in accordance with accounting principles generally accepted in the United States of America and include amounts that are based on management's informed judgments and estimates.

In fulfilling its responsibilities for the integrity of financial information, management maintains accounting systems and related controls. These controls provide reasonable assurance, at appropriate costs, that assets are safeguarded against losses and that financial records are reliable for use in preparing financial statements. Management recognizes its responsibility for conducting the Company's affairs according to the highest standards of personal and corporate conduct.

The Audit and Finance Committee of the Board of Directors, comprised solely of independent, non-employee directors, meets with the independent auditors and management periodically to review accounting, auditing, financial reporting and internal control matters. The independent auditors have free access to this committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

/s/ Scott Maskin	/s/ James Brennan
Scott Maskin	James Brennan
Chief Executive Officer	Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of SUNation Energy, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of SUNation Energy, Inc. and subsidiaries (the Company) as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2024, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 16 to the consolidated financial statements, 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 indicate substantial doubt around the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Critical Audit Matter - Goodwill Impairment

At December 31, 2024, the consolidated carrying value of the Company's goodwill was $20,545,850, of which $9,829,212 and $10,716,638 were allocated to the HEC and SUNation reporting units, respectively. As disclosed in Note 2 to the consolidated financial statements, goodwill is tested for impairment at the reporting unit level, annually on October 1 or more frequently if events or circumstances indicate that an impairment may have occurred. Management determined that a quantitative goodwill impairment analysis was required as of December 31, 2024. The impairment test was performed by calculating the fair value of the Company's reporting units, using a combination of an income approach and market approach, and comparing the fair value to the carrying value to determine if there was an impairment loss which would be equal to the carrying value exceeding the fair value. Management engaged a third-party valuation specialist to assist with the analysis. As disclosed in Note 8 to the consolidated financial statements, the Company determined that HEC's goodwill was impaired and recorded an impairment loss of $3,101,981 as of December 31, 2024.

Auditing management's goodwill impairment test was complex and judgmental, due to the significant estimation required to determine the present value of each reporting unit's future discounted cash flows. The discounted cash flows were sensitive to the projected revenue growth rates, EBITDA margins, terminal growth rates and the discount rate applied. These significant assumptions are affected by expectations about future market and economic conditions. There was also management judgment in selecting the comparable publicly traded companies used by the Company to determine the revenue multiples under the market approach.

How the Critical Audit Matter Was Addressed in Our Audit

Our audit procedures performed to evaluate the reasonableness of management's estimates and assumptions included assessing the methodologies used by the Company and testing the significant assumptions used in the quantitative models. To test the fair value of the Company's reporting units, we performed audit procedures that included the following:

- Compared the projected revenue growth rates to the Company's historical results and industry and economic data, and compared projected EBITDA margins to historical results and industry data. We assessed the historical accuracy of management's prior forecasts to actual results to evaluate management's ability to accurately forecast future revenues and gross profit.
- Involved our valuation specialists to 1) assess management's fair value methodology, compare the terminal growth rates to external industry and economic data, and determine an independent estimate of the discount rates and 2) evaluated the comparable public companies utilized by management under the market approach.
- Evaluated certain inputs and assumptions for consistency where they were used by management in other accounting estimates impacting the consolidated financial statements.
- Tested management's fair value calculations for clerical accuracy.
- Performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting units that would result from changes in these assumptions.
- Assessed the appropriateness of the disclosures in the financial statements.

Critical Audit Matter – Convertible Preferred Stock and Warrants

In 2022, the Company issued shares of Series A convertible preferred stock and warrants to investors. The Company accounted for the convertible preferred stock and warrants in permanent equity. The convertible preferred stock and the warrants were modified during the first quarter of 2024, which resulted in the Company not having sufficient authorized and unissued shares to settle the conversion and exercise to common stock. As a result, the Company reclassified the convertible preferred stock to mezzanine equity and the warrants to a liability.

During the third quarter of 2024, the Company received shareholder approval on an increase in authorized shares, resulting in the convertible preferred stock and warrants being reclassified to permanent equity. Additionally, the Series A convertible preferred stock and warrants were further modified prior to being exchanged for Series C convertible preferred stock in September 2024. No preferred stock or warrants remained outstanding as of December 31, 2024.

As disclosed in Notes 2 and 12 to the consolidated financial statements, these transactions resulted in the following impact on the consolidated financial statements:

- Change in fair value of the warrant liability resulting in a loss of $974,823.
- Deemed dividends on modifications of Series A convertible preferred stock and warrants of ($11,447,251) and ($4,215,551), respectively, that reduced APIC and income available to common shareholders in calculating earnings per share (EPS).
- Deemed contribution on exchange of Series A preferred stock and warrants for Series C convertible preferred stock of $4,075,681 that increased APIC and income available to common shareholders in calculating EPS.

The accounting for convertible preferred stock and warrants required analysis under applicable authoritative guidance in Accounting Standards Codification ("ASC") 480, "Distinguishing Liabilities from Equity", and ASC 815, "Derivatives and Hedging". Furthermore, the amounts recognized for the change in fair value of the warrant liability, deemed dividends, and deemed contribution were based on management's estimates of fair value for these financial instruments. Management engaged a third-party specialist to assist with the accounting and fair value analysis.

Auditing management's conclusions related to these transactions required the interpretation of complex accounting literature in the areas of financial instruments and modifications of equity instruments. In addition, auditing management's fair value estimates was complex and judgmental because the measurements involved subjective models and unobservable inputs. There was also management judgment in selecting the comparable publicly traded companies used by the Company to determine the volatility input.

How the Critical Audit Matter Was Addressed in Our Audit

Our audit procedures to evaluate the reasonableness of management's accounting for the modifications of the Series A convertible preferred stock and warrants, and the exchange of the Series A convertible preferred stock and warrants for Series C convertible preferred stock included the following:

- Involved financial instrument accounting subject matter specialists to assess the Company's conclusions on equity vs liability classification of the convertible preferred stock and warrants and the EPS treatment of the modification and exchange transactions.
- Evaluated management's accounting memorandums and read the underlying contracts and board resolutions for consistency with the conclusions reached.
- Involved our valuation specialists to 1) assess management's fair value methodologies and 2) develop independent estimates of the fair values of the convertible preferred stock and warrants at each modification date and the exchange date.
- Assessed the appropriateness of the disclosures in the financial statements.

Critical Audit Matter - Embedded Derivative Liability

The Company's Decathlon Fixed Loan includes a mandatory prepayment feature upon a contingent event that is considered an embedded derivative requiring separate accounting under ASC 815. Under ASC 815, the embedded derivative is bifurcated and recorded at fair value at inception with subsequent changes in fair value recorded in earnings. Based on management's estimates of the likelihood of certain events occurring, the Company recognized an embedded derivative liability as of December 31, 2024. As disclosed in Note 9 to the consolidated financial statements, the amortized cost of the Decathlon Fixed Loan was $6,586,325 and the fair value of the embedded derivative was $24,800 as of December 31, 2024. Management engaged a third-party valuation specialist to assist with the accounting and fair value analysis.

Auditing management's conclusions required the interpretation of complex accounting literature related to financial instruments, more specifically embedded derivatives in debt instruments. In addition, auditing management's fair value estimates was complex and judgmental because the measurements involved unobservable inputs. There was management judgment in determining the probability of various payoff alternatives occurring as well as the estimated payoff date under each alternative.

How the Critical Audit Matter Was Addressed in Our Audit

Our audit procedures to evaluate the reasonableness of management's accounting and fair value estimates for the Decathlon Fixed Loan included the following:

- Involved financial instrument accounting subject matter specialists to assess the Company's embedded derivative accounting conclusions.
- Evaluated management's accounting memorandum and read the underlying contract for consistency with the conclusions reached.
- Involved our valuation specialists to 1) assess management's fair value methodology and 2) develop an independent estimate of the fair value of the embedded derivative liability.
- Assessed the reasonableness of management's payoff assumptions, more specifically the probabilities of various payoff alternatives occurring and the estimated payoff dates of each alternative. We 1) made inquiries of management and the board, 2) inspected board meeting minutes, 3) compared forecasts used to support the assumptions with forecasts used by management in other accounting estimates as of December 31, 2024, and 4) evaluated events occurring subsequent to December 31, 2024.
- Assessed the appropriateness of the disclosures in the financial statements.

/s/ UHY LLP

We have served as the Company's auditor since 2023.

Melville, New York

April 15, 2025

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SUNATION ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
ASSETS

	December 31 2024	December 31 2023
CURRENT ASSETS:		
Cash and cash equivalents	$ 839,268	$ 3,575,283
Restricted cash and cash equivalents	312,080	1,821,060
Trade accounts receivable, less allowance for credit losses of $240,817 and $94,085, respectively	4,881,094	5,010,818
Inventories, net	2,707,643	3,578,668
Related party receivables	23,471	46,448
Prepaid expenses	1,587,464	1,313,082
Costs and estimated earnings in excess of billings	560,648	57,241
Other current assets	198,717	376,048
TOTAL CURRENT ASSETS	11,110,385	15,778,648
PROPERTY, PLANT AND EQUIPMENT, net	1,238,898	1,511,878
OTHER ASSETS:		
Goodwill	17,443,869	20,545,850
Right of use assets	3,686,747	4,516,102
Intangible assets, net	12,220,833	15,808,333
Other assets	12,000	12,000
TOTAL OTHER ASSETS	33,363,449	40,882,285
TOTAL ASSETS	$ 45,712,732	$ 58,172,811
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 8,032,769	$ 7,677,261
Accrued compensation and benefits	796,815	1,360,148
Operating lease liabilities	321,860	394,042
Accrued warranty	350,013	268,004
Other current liabilities	1,055,995	867,727
Accrued loss contingencies	1,300,000	—
Income taxes payable	5,071	5,373
Refundable customer deposits	1,870,173	2,112,363
Billings in excess of costs and estimated earnings	444,310	440,089
Contingent value rights	312,080	1,691,072
Earnout consideration	2,500,000	2,500,000
Current portion of loans payable	3,139,113	1,654,881
Current portion of loans payable - related party	6,951,563	3,402,522
Embedded derivative liability	82,281	—
TOTAL CURRENT LIABILITIES	27,162,043	22,373,482
LONG TERM LIABILITIES:		
Loans payable and related interest	6,531,650	8,030,562
Loans payable and related interest - related party	—	2,097,194
Deferred income taxes	—	41,579
Operating lease liabilities	3,471,623	4,193,205
Earnout consideration	—	1,000,000
TOTAL LONG-TERM LIABILITIES	10,003,273	15,362,540
COMMITMENTS AND CONTINGENCIES (Note 9)		
STOCKHOLDERS' EQUITY		
Series A Convertible preferred stock, par value $1.00 per share; 3,000,000 shares authorized; no and 28,000 shares issued and outstanding, respectively	—	28,000

Series B preferred stock, par value $1.00 per share; 3,000,000 shares authorized; no shares issued and outstanding, respectively	—	—
Series C preferred stock, par value $1.00 per share; 35,000 shares authorized; no shares issued and outstanding, respectively	—	—
Common stock, par value $0.05 per share; 25,000,000 shares authorized; 1,868,638 and 13,663 shares issued and outstanding, respectively(1)	93,432	683
Additional paid-in capital(1)	51,353,030	47,489,517
Accumulated deficit	(42,899,046)	(27,081,411)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	8,547,416	20,436,789
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 45,712,732	$ 58,172,811

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

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

SUNATION ENERGY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Year Ended December 31	
	2024	2023
Sales	$ 56,861,753	$ 79,632,709
Cost of sales	36,435,509	51,936,519
Gross profit	20,426,244	27,696,190
Operating expenses:		
Selling, general and administrative expenses	27,054,166	29,074,578
Amortization expense	2,837,500	4,738,477
Fair value remeasurement of SUNation earnout consideration	(1,000,000)	1,350,000
Goodwill impairment loss	3,101,981	—
Intangible asset impairment loss	750,000	—
Total operating expenses	32,743,647	35,163,055
Operating loss from continuing operations	(12,317,403)	(7,466,865)
Other (expense) income:		
Investment and other income	144,529	191,584
(Loss) gain on sale of assets	(822)	437,116
Fair value remeasurement of warrant liability	(974,823)	—
Fair value remeasurement of embedded derivative liability	(65,617)	—
Fair value remeasurement of contingent value rights	522,257	2,674,966
Interest expense	(3,087,450)	(2,657,517)
Loss on debt extinguishment	(35,657)	—
Other (expense) income, net	(3,497,583)	646,149
Operating loss from continuing operations before income taxes	(15,814,986)	(6,820,716)
Income tax expense	34,819	119,176
Net loss from continuing operations	(15,849,805)	(6,939,892)
Net loss from discontinued operations, net of tax	—	(1,192,275)
Net loss	(15,849,805)	(8,132,167)
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on available-for-sale securities	—	10,422
Total other comprehensive income (loss)	—	10,422
Comprehensive loss	$ (15,849,805)	$ (8,121,745)
Less: Deemed dividend on extinguishment of Convertible Preferred Stock	(4,215,551)	—
Less: Deemed dividend on modification of PIPE Warrants	(11,447,251)	—
Less: Deemed contribution on exchange of equity instruments	4,075,681	—
Net loss attributable to common shareholders	$ (27,436,926)	$ (8,132,167)
Basic net loss per share(1):		
Continuing operations	$ (50.58)	$ (521.89)
Discontinued operations	—	(89.66)
	$ (50.58)	$ (611.55)
Diluted net loss per share(1):		
Continuing operations	$ (50.58)	$ (521.89)
Discontinued operations	—	(89.66)
	$ (50.58)	$ (611.55)
Weighted Average Basic Shares Outstanding(1)	542,454	13,298
Weighted Average Dilutive Shares Outstanding(1)	542,454	13,298

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

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

SUNATION ENERGY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Redeemable Convertible Preferred Stock		Series A Convertible Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares[(1)]	Amount[(1)]	Capital[(1)]	Deficit	Income (Loss)	Total
BALANCE AT DECEMBER 31, 2022	—	$ —	28,000	$ 28,000	—	$ —	—	$ —	13,221	$ 661	$ 46,293,187	$ (19,089,134)	$ (10,422)	$ 27,222,292
Net loss	—	—	—	—	—	—	—	—	—	—	—	(8,132,167)	—	(8,132,167)
Issuance of common stock under Employee Stock Purchase Plan	—	—	—	—	—	—	—	—	113	6	125,392	—	—	125,398
Issuance of common stock under Equity Incentive Plan	—	—	—	—	—	—	—	—	380	19	(19)	—	—	—
Gain on extinguishment of related party debt	—	—	—	—	—	—	—	—	—	—	36,291	—	—	36,291
Share based compensation	—	—	—	—	—	—	—	—	—	—	1,212,956	—	—	1,212,956
Other share retirements	—	—	—	—	—	—	—	—	(51)	(3)	(178,290)	139,890	—	(38,403)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	10,422	10,422
BALANCE AT DECEMBER 31, 2023	—	$ —	28,000	$ 28,000	—	$ —	—	$ —	13,663	$ 683	$ 47,489,517	$ (27,081,411)	$ —	20,436,789
Net loss	—	—	—	—	—	—	—	—	—	—	—	(15,849,805)	—	(15,849,805)
Issuance of common stock under Employee Stock Purchase Plan	—	—	—	—	—	—	—	—	153	8	9,764	—	—	9,772
Issuance of common stock under Equity Incentive Plan	—	—	—	—	—	—	—	—	391	20	(20)	—	—	—

Issuance of common stock under registered direct offering, net of issuance costs	—	—	—	—	—	—	—	—	3,604	180	918,808	—	—	918,988
Issuance of Series B Preferred Stock	—	—	—	—	1	1	—	—	—	—	14	—	—	15
Cancellation of Series B Preferred Stock	—	—	—	—	(1)	(1)	—	—	—	—	—	—	—	(1)
Issuance of common stock under PIPE Warrant exercise	—	—	—	—	—	—	—	—	16,545	827	323,963			324,790
Reclassification of Series A Preferred Stock to temporary equity	28,000	30,968,875	(28,000)	(28,000)	—	—	—	—	—	—	(30,940,875)	—	—	(30,968,875)
Deemed dividend on extinguishment of Convertible Preferred Stock	—	751,125	—	—	—	—	—	—	—	—	(751,125)	—	—	(751,125)
Reclassification of PIPE Warrants to liabilities	—	—	—	—	—	—	—	—	—	—	(10,592,220)	—	—	(10,592,220)
Conversion of Redeemable Convertible Preferred Stock to Common Stock	(13,485)	(15,277,055)	—	—	—	—	—	—	126,098	6,305	15,270,750	—	—	15,277,055
Conversion of Series A Convertible Preferred Stock to Common Stock	—	—	(1,490)	(1,490)	—	—	—	—	14,195	710	780	—	—	—
Reclassification of temporary equity to Series A Preferred Stock	(14,515)	(16,442,945)	14,515	14,515	—	—	—	—	———	—	16,428,430	—	—	16,442,945
Reclassification of PIPE Warrants to equity	—	—	—	—	—	—	—	—	———	—	11,242,257	—	—	11,242,257

Exchange of Series A Preferred Stock and PIPE Warrants to Series C Preferred Stock	—	—	(13,025)	(13,025)	—	—	28,041	28,041	—	—	(15,016)	—	—	—
Issuance costs on exchange of Series A Preferred Stock and PIPE Warrants to Series C Preferred Stock	—	—	—	—	—	—	—	—	—	—	(156,524)	—	—	(156,524)
Conversion of Series C Preferred Stock to Common Stock	—	—	—	—	—	—	(28,041)	(28,041)	1,246,262	62,313	(34,272)	—	—	—
Issuance of Common Stock on At-the-Market sales, net of issuance costs	—	—	—	—	—	—	—	—	448,216	22,410	2,171,063			2,193,473
Cash in lieu payment on fractional shares under reverse stock split	—	—	—	—	—	—	—	—	(387)	(19)	(3,003)	—	—	(3,022)
Share based compensation	—	—	—	—	—	—	—	—	—	—	29,002	—	—	29,002
Other share retirements	—	—	—	—	—	—	—	—	(102)	(5)	(38,263)	32,170	—	(6,098)
BALANCE AT DECEMBER 31, 2024	—	$ —	—	$ —	—	$ —	—	$ —	1,868,638	$ 93,432	$ 51,353,030	$ (42,899,046)	$ —	$ 8,547,416

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

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

SUNATION ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (15,849,805)	$ (8,132,167)
Net loss from discontinued operations, net of tax	—	(1,192,275)
Net loss from continuing operations	(15,849,805)	(6,939,892)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,153,832	5,136,420
Share based compensation	29,002	1,212,956
Deferred taxes	(41,579)	41,579
Goodwill impairment loss	3,101,981	—
Intangible asset impairment loss	750,000	—
Credit loss provision	146,732	—
Fair value remeasurement of earnout consideration	(1,000,000)	1,350,000
Fair value remeasurement of warrant liability	974,823	—
Fair value remeasurement of embedded derivative liability	65,617	—
Fair value remeasurement of contingent value rights	(522,257)	(2,674,966)
Loss on extinguishment of debt	35,657	—
Gain on sale of assets	822	(437,116)
Loss on lease termination	215,415	—
Interest and accretion expense	3,087,449	2,657,517
Changes in assets and liabilities:		
Trade and related party accounts receivables	5,969	623,975
Inventories, net	853,518	2,475,825
Prepaid income taxes	(302)	3,723
Other assets	(635,892)	3,333,146
Accounts payable	355,508	83,081
Accrued compensation and benefits	(563,333)	500,373
Customer deposits	(242,190)	(2,172,766)
Other accrued liabilities	1,430,109	(4,494,247)
Accrued interest	(1,653,762)	(1,085,174)
Net cash used in operating activities - continuing operations	(6,302,686)	(385,566)
Net cash used in operating activities - discontinued operations	—	(281,611)
Net cash used in operating activities	(6,302,686)	(667,177)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(32,785)	(655,691)
Proceeds from the sale of fixed assets	6,118	450
Proceeds from the sale of investments	—	2,869,584
Proceeds from earnout consideration payments	—	250,000
Net cash provided by (used in) investing activities - continuing operations	(26,667)	2,464,343
Net cash provided by investing activities - discontinued operations	—	1,102,935
Net cash (used in) provided by investing activities	(26,667)	3,567,278
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	1,604,000	7,814,844
Payments against loans payable	(1,595,364)	(7,277,334)
Payments related to debt issuance costs	(24,150)	(348,065)
Payments related to equity issuance costs	(501,414)	—
Proceeds from the issuance of common stock under registered direct offering	1,000,000	—
Proceeds from the issuance of common stock under at-the-market offering	2,457,352	—
Proceeds from the issuance of Series B preferred stock	15	—
Payments for contingent value rights distributions	(856,736)	(3,036,676)

Proceeds from issuance of common stock, net of shares withheld	9,775	125,398
Cash in lieu payment on fractional shares under reverse stock split	(3,022)	—
Purchase of common stock	(6,098)	(38,403)
Net cash provided by (used in) financing activities	2,084,358	(2,760,236)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(4,244,995)	139,865
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	5,396,343	5,256,478
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 1,151,348	$ 5,396,343
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income taxes paid	$ 76,700	$ 58,858
Interest paid	1,604,100	1,119,480
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES:		
Capital contribution on related party debt extinguishment	—	36,291
Loss on extinguishment of debt	(35,657)	—
Deemed dividend on Convertible Preferred Stock and PIPE Warrants	11,587,121	—
Conversion of redeemable convertible preferred stock to common stock	15,277,055	—
Operating right of use assets obtained in exchange for lease obligations	—	753,972

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

NOTE 1 – NATURE OF OPERATIONS

Description of Business

SUNation Energy, Inc. (formerly Communications Systems, Inc., Pineapple Holdings, Inc., and Pineapple Energy Inc.) ("SUNE", "SUNation Energy", "we" or the "Company"), was originally organized as a Minnesota corporation in 1969. On March 28, 2022, the Company completed its previously announced merger transaction with Pineapple Energy LLC ("Pineapple Energy") in accordance with the terms of that certain Agreement and Plan of Merger dated March 1, 2021, as amended by an Amendment No. 1 to Merger Agreement dated December 16, 2021 (collectively the "merger agreement"), by and among the Company, Helios Merger Co., a Delaware corporation and a wholly-owned subsidiary of the Company (the "Merger Sub"), Pineapple Energy LLC, a Delaware limited liability company, Lake Street Solar LLC as the Members' Representative, and Randall D. Sampson as the Shareholders' Representative, pursuant to which Merger Sub merged with and into Pineapple Energy, with Pineapple Energy surviving the merger as a wholly-owned subsidiary of the Company (the "merger"). Following the closing of the merger (the "Closing") the Company changed its name from Communications Systems, Inc. to Pineapple Holdings, Inc. and commenced doing business using the Pineapple name, and subsequently, on April 13, 2022, changed its name to Pineapple Energy Inc.

On November 14, 2024, the Company filed articles of conversion with the Secretary of State of the State of Minnesota and filed a certificate of conversion with the Secretary of State of the State of Delaware changing its jurisdiction of incorporation from Minnesota to Delaware (the "Reincorporation"), as well as having filed a Certificate of Incorporation with the Secretary of State of the State of Delaware on this same date. In addition to the Reincorporation, the Company effectuated a change to its name from Pineapple Energy Inc. to SUNation Energy, Inc. (the "Name Change") and a change to its stock trading symbol from PEGY to SUNE, which Name Change and stock symbol change was effective November 19, 2024.

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

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

On June 30, 2023, the Company divested its legacy operations and operating assets through the sale of substantially all of the assets of its JDL Technologies, Inc. ("JDL") and Ecessa Corporation ("Ecessa") businesses. See Note 5, Discontinued Operations. As a result, unless otherwise noted, all information in this report on Form 10-K related to the JDL and Ecessa businesses are discussed and presented as discontinued operations and the Company reports its remaining business operations as continuing operations.

Reverse Stock Splits

June 2024 Reverse Stock Split

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

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

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

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

October 2024 Reverse Stock Split

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

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

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

As a result of the October Reverse Stock Split, on the October Effective Date, every 50 shares of common stock then issued and outstanding automatically were combined into one share of common stock, with no change in par value per share. No fractional shares were outstanding following the Reverse Stock Split, and any fractional shares that would have resulted from the October Reverse Stock Split were settled in cash. The number of shares of common stock outstanding was reduced from 67,260,696 to 1,344,841, with 372.92 fractional shares payable in cash totaling $1,891. The total number of shares authorized for issuance was reduced from 133,333,333 to 2,666,667 in proportion to the October Reverse Stock Split ratio. The number of shares authorized for issuance was later increased to 25,000,000 as a result of the Reincorporation.

Effective as of the same time as the June 2024 Reverse Stock Split and October 2024 Reverse Stock Split (collectively known as the "Reverse Stock Splits"), the number of shares of common stock available for issuance under the Company's equity compensation plans were automatically reduced in proportion to the Reverse Stock Splits ratio. Upon effectiveness, the Reverse Stock Splits also resulted in reductions in the number of shares of common stock issuable upon exercise or vesting of equity awards in proportion to the Reverse Stock Splits ratios and caused a proportionate increase in exercise price or share-based performance criteria, if any, applicable to such awards.

The effects of the Reverse Stock Splits have been reflected the consolidated financial statements for all periods presented.

Impact of the Reverse Stock Splits

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

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

	December 31, 2022			December 31, 2023		
	As Previously Reported	Impact of Reverse Stock Split	As Adjusted	As Previously Reported	Impact of Reverse Stock Split	As Adjusted
Common Stock shares	9,915,586	(9,902,365)	13,221	10,246,605	(10,232,942)	13,663
Common Stock amount	$ 495,779	$ (495,118)	$ 661	$ 512,330	$ (511,647)	$ 683
Additional Paid-in-Capital	$ 45,798,069	$ 495,118	$ 46,293,187	$ 46,977,870	$ 511,647	$ 47,489,517

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

	Year Ended December 31, 2023		
	As Previously Reported	Impact of Reverse Stock Split	As Adjusted
Weighted average shares outstanding - basic and diluted	10,035,970	(10,022,672)	13,298
Loss per share from continuing operations - basic and diluted	$ (0.69)	$ (521.20)	$ (521.89)
Loss per share from discontinued operations - basic and diluted	$ (0.12)	$ (89.54)	$ (89.66)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying 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”).

Principles of Consolidation

The 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 market inventory adjustments, fair value measurements (warrant liabilities, contingent value rights, contingent consideration, and debt instruments, including embedded derivative liabilities), provisions for income taxes and deferred taxes, depreciable lives of fixed assets, and amortizable lives of intangible assets.

Restricted Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company may invest in short-term money market funds that are not considered to be bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Company ("FDIC") or other government agency. These money market funds seek to preserve the value of the investment at $1.00 per share; however, it is possible to lose money investing in these funds. The $312,080 of restricted cash and cash equivalents on the balance sheet as of December 31, 2024 are funds that can only be used to support the legacy CSI business, will be distributed to holders of the Company's contingent value rights ("CVRs") and cannot be used to support the working capital needs of the SUNation Energy business.

Accounts Receivable, Net

Accounts receivable are recorded at their net realizable value and are not collateralized. Accounts receivable include amounts earned less payments received and allowances for credit losses. Management continually monitors and adjusts its allowances associated with the Company's receivables to address any credit risks associated with the accounts receivable and periodically writes off receivables when collection is not considered probable. The Company does not charge interest on past due accounts. When uncertainty exists as to the collection of receivables, the Company records an allowance for credit losses and a corresponding charge to credit loss expense. The prior year provision for credit losses and write-off for uncollectible amounts included approximately $949,000 in receivables related to JDL that were not included in the sale of assets and were deemed uncollectible during the fourth quarter of 2023. The provision for credit losses is recorded within selling, general and administrative expenses. The following table presents the changes in the allowance for credit losses for the years ended December 31, 2024 and 2023:

	Year Ended December 31	
	2024	**2023**
Beginning balance	$ 94,085	$ 108,636
Provision for credit losses	153,088	1,069,196
Write off of uncollectible amounts	(6,356)	(1,083,747)
Recoveries	—	—
Ending balance	$ 240,817	$ 94,085

Inventories, Net

Inventories, which consist primarily of materials and supplies used in the installation of solar systems, are stated at the lower of cost or net realizable value, with costs computed on a weighted average cost basis. The Company periodically reviews its inventories for excess and obsolete items and adjusts carrying costs to estimated net realizable values when they are determined to be less than cost. The inventory reserve was $226,439 and $126,990 at December 31, 2024 and 2023, respectively.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method. Depreciation included in cost of sales and selling, general and administrative expenses for continuing operations was $316,332 and $397,943 for 2024 and 2023, respectively. Maintenance and repairs are charged to operations and additions or improvements are capitalized. Items of property sold, retired or otherwise disposed of are removed from the asset and accumulated depreciation accounts and any gains or losses on disposal are reflected in the statements of operations.

Goodwill and Other Intangible Assets

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, technology, and backlog are amortized on a straight-line basis over the estimated useful life of the asset. Goodwill is not amortized but is tested at least annually for impairment. The Company reassesses the value of our reporting units and related goodwill balances annually on October 1 and at other times if events have occurred or circumstances exist that indicate the carrying amount of goodwill may not be recoverable. The Company recognized an impairment loss of $3,101,981 related to the goodwill of its HEC segment during the year ended December 31, 2024. See Note 8, 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. If the fair value, determined as the total of the expected undiscounted future net cash flows for the asset group is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying amount of the asset. The Company recognized a loss of $750,000 related to the technology intangible asset within the HEC segment during the year ended December 31, 2024. See Note 8, Goodwill and Intangible Assets for further information.

Mezzanine Equity

The Company has issued various financial instruments, including preferred stock. Instruments containing redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control are classified as redeemable or mezzanine equity. The purpose of this classification is to convey that such a security may not be permanently part of equity and could result in a demand for cash, securities or other assets of the entity in the future. See Note 12, Equity, for further discussion regarding the reclassification of the Company's Convertible Preferred Stock from permanent equity to mezzanine equity during the first quarter of 2024 and the reclassification from mezzanine equity to permanent equity in the third quarter of 2024.

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. See Note 12, Equity, for further discussion regarding the reclassification of the Company's PIPE Warrants from equity to liabilities during the first quarter of 2024 and the reclassification from liabilities to equity in the third quarter of 2024.

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.

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. Revenue from commercial contracts are recognized under a percentage of completion method, measured by the percentage of hours incurred to date against estimated total hours budgeted for each contract. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near future. Contract costs include all direct material, labor costs and those indirect costs related to contract performance, such as indirect labor and other supplies. Selling, general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and revenues which are recognized in 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.

See Note 3, Revenue Recognition, for further discussion regarding revenue recognition.

Gross Excise Tax

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

Cost of Sales

Cost of sales consist 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.

Employee Retirement Benefits

The Company has an Employee Savings Plan (401(k)) and matches a percentage of employee contributions up to six percent of compensation. Employer contributions to the plan in 2024 and 2023 were $303,878 and $140,652, respectively. Additionally, as part of the November 9, 2022 SUNation Acquisition, the Company also acquired the SUNation Solar Systems, Inc. 401(k) Plan. Employer contributions into this plan were $176,334 during 2023 until the plan was merged with the Employee Savings Plan on December 1, 2023.

Share Based Compensation

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

Warranty

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

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

Advertising

Advertising costs are expensed as they are incurred. Advertising expense was $746,805 and $946,379 for the years ended December 31, 2024 and 2023, respectively.

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. See Note 14, Segment Information, for further discussion.

Concentrations of Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The associated risk of concentration for cash is mitigated by banking with institutions with high credit ratings. At certain times amounts on deposit exceed FDIC insurance limits. The Company has limited credit risk in accounts receivable as most contracts are paid through outside customer financing. The Company is not dependent on any single customer and the loss of any customer would not adversely impact the Company’s operating results or financial position. The Company depends on a limited number of suppliers for its solar panels and other system components. During the years ended

December 31, 2024 and 2023, the top five suppliers collectively accounted for approximately 41% and 53% of the Company's total accounts payables, respectively.

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 year. Diluted net loss attributable to common shareholders per common share adjusts for the dilutive effect of potential common shares outstanding. The Company had $11,587,121 in deemed dividends during the year ended December 31, 2024, which decreases the numerator in the net loss per share calculation. The Company's only potential additional common shares outstanding are common shares that would result from the conversion of the convertible preferred shares, warrants, convertible debt and shares associated with the long-term incentive compensation plans, which resulted in no dilutive effect for the year ended December 31, 2024. The Company calculates the dilutive effect of outstanding options, 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 December 31, 2024 and 2023. Warrants totaling 0 and 6,902 and restricted stock units totaling 297 and 1,047 would have been excluded from the calculation of diluted earnings per share for the years ended December 31, 2024 and 2023, respectively, even if there had not been a net loss in those periods, because the exercise price was greater than the average market price of common stock during the period.

Accounting Standards Issued

In October 2023, the FASB issued ASU 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative," which is intended to clarify or improve disclosure and presentation requirements of a variety of topics. Many of the amendments will allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements and align the requirements in the FASB accounting standard codification with the SEC's regulations. The amendments in ASU 2023-06 will become effective on the date the related disclosures are removed from Regulation S-X or Regulation S-K by the SEC, and will no longer be effective if the SEC has not removed the applicable disclosure requirement by June 30, 2027. Early adoption is prohibited. The Company is currently evaluating this ASU and the impact it may have on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which expands disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. This ASU is effective for fiscal periods beginning after December 15, 2024, with early adoption permitted. The Company 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 November 2024, the FASB issued ASU 2024-04, "Debt with Conversion and Other Options," which clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. This ASU is effective for annual periods beginning after December 15, 2025, and interim reporting periods within those annual report periods. Early adoption is permitted for all entities that have adopted the amendments in ASU Update 2020-06. Adoption can be on a prospective or retrospective basis. The Company is currently evaluating this ASU and the impact it may have on its consolidated financial statements.

Accounting Standards Adopted

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which expands disclosures about a public entity's reportable segments and requires more enhanced information about a reportable segment's expenses, interim segment profit or loss, and how a public entity's chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. This ASU is effective for fiscal periods beginning after December 15, 2023, with early adoption permitted. The Company adopted this ASU effective December 31, 2024. See further discussion within Note 14, Segment Information.

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 for the years ended December 31, 2024 and 2023:

	Revenue by Type			
	SUNation		HEC	
	2024	2023	2024	2023
Residential contracts	$ 30,715,255	$ 39,326,408	$ 15,984,618	$ 24,855,946
Commercial contracts	6,700,469	9,903,437	429,259	1,380,466
Service revenue	2,317,638	3,133,865	714,514	673,544
Software revenue	—	—	—	347,550
Other	—	—	—	11,493
	$ 39,733,362	$ 52,363,710	$ 17,128,391	$ 27,268,999

The following table disaggregates revenue based on the timing of satisfaction of the performance obligations for the years ended December 31, 2024 and 2023:

	SUNation		HEC	
	2024	2023	2024	2023
Performance obligations satisfied at a point in time	$ 33,032,893	$ 42,460,273	$ 16,699,132	$ 25,888,533
Performance obligations satisfied over time	6,700,469	9,903,437	429,259	1,380,466
	$ 39,733,362	$ 52,363,710	$ 17,128,391	$ 27,268,999

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 $560,648 and $57,241 at December 31, 2024 and 2023, respectively. Contract liabilities were $2,314,483 and $2,552,452 at December 31, 2024 and 2023, respectively. Due to the shorter-term nature of our contracts, the balances within contract assets and liabilities as of December 31, 2023 has been recognized within cash and revenue, respectively, during the year ended December 31, 2024.

NOTE 4 – CONTRACTS IN PROGRESS

Billings in excess of costs and estimated earnings as of December 31, 2024 and 2023 are as follows:

	Year Ended December 31	
	2024	2023
Billings to date	$ 3,055,354	$ 2,131,579
Costs incurred on uncompleted contracts	1,120,213	1,208,444
Estimated earnings	1,490,831	483,046
Cost plus estimated earnings	2,611,044	1,691,490
Billings in excess of costs plus estimated earnings on uncompleted contracts	$ 444,310	$ 440,089

Costs and estimated earnings in excess of billings as of December 31, 2024 and 2023 are as follows:

	Year Ended December 31	
	2024	2023
Costs incurred on uncompleted contracts	$ 1,233,151	$ 119,782
Estimated earnings	1,219,234	396,174
	2,452,385	515,956
Billings to date	1,891,737	458,715
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 560,648	$ 57,241

NOTE 5 – LEASES

The Company recognizes assets and liabilities for the rights and obligations created by leases that extend more than twelve months from the date of the balance sheet. Right of use ("ROU") assets represent our right to use an underlying asset for the lease term, while lease liabilities represent our obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at the commencement date of a lease based on the present value of lease payments over the lease term. Because the rate implicit in each individual lease is not readily determinable, the Company uses its incremental borrowing rate to determine the present value of the lease payments.

In 2022, the Company entered into operating leases for two office locations, including one in Hawaii in April 2022 and one in New York in November 2022 upon the acquisition of SUNation. In 2022, the Company had also entered into an operating lease for its corporate offices in Minnesota that commenced on January 1, 2023. In March 2023, the Company entered into an operating lease for an additional office location in Florida.

Effective September 30, 2024, the Company entered into a lease termination agreement with our Minnesota office landlord, pursuant to which the Company will pay a termination fee totaling $189,000 to be paid at $13,500 per month for a period of fourteen (14) months from entry into this lease termination, as well as the Company waiving its right to its original security deposit provided at entry into the original lease in the amount of $35,434. The lease termination resulted is a decrease to the Company's operating lease right of uses assets totaling $415,674 and operating lease liabilities totaling $424,694, which along with the termination fee and write off the security deposit resulted in a loss on the termination of the lease totaling $215,415 recorded in operating expenses in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2024. The $148,500 remaining liability for the termination fee is recorded within other accrued liabilities in the consolidated balance sheets at December 31, 2024.

These remaining leases have remaining lease terms of 2 to 11 years. One lease includes a 3% rent adjustment on each anniversary of the lease, another includes a fixed annual rent adjustment of $6,840, and the other a 4% annual rent adjustment. As of December 31, 2024, total ROU assets and operating lease liabilities were $3,686,747 and $3,793,483, respectively. All operating lease expense is recognized on a straight-line basis over the lease term. In the years ended December 31, 2024 and 2023, the Company recognized $696,141 and $718,441 in lease expense, respectively.

Information related to the Company's ROU assets and related lease liabilities were as follows:

	Year Ended December 31	
	2024	2023
Cash paid for operating leases	$ 651,531	$ 662,561
Right-of-use assets obtained in exchange for new operating lease obligations	$ —	$ 753,972

	As of December 31	
	2024	2023
Weighted-average remaining lease term	9.4 years	9.6 years
Weighted-average discount rate	6.8%	7.0%

Maturities of lease liabilities as of December 31, 2024 were as follows:

2025	$	556,623
2026		526,557
2027		515,801
2028		525,127
2029		534,527
Thereafter		2,516,013
Total lease payments		5,174,648
Less imputed interest		(1,381,165)
Total operating lease liabilities	$	3,793,483

NOTE 6 – DISCONTINUED OPERATIONS

On June 30, 2023, the Company sold substantially all of the assets of its legacy non-core subsidiaries, JDL and Ecessa, to TheIPGuys.net LLC doing business as OneNet Global for total net proceeds of $1,231,616. The Company received net initial proceeds of $1,106,616, consisting of $1,175,000 in initial consideration less $68,384 in adjustments. An additional $125,000 in consideration previously held in escrow was paid in 2024. The Company recorded a loss on sale of $1,190,002 during the second quarter of 2023. The presentation of discontinued operations with respect to this transaction has been retrospectively applied to all prior periods presented.

The financial results of the discontinued operations are as follows:

	Year Ended December 31	
	2024	**2023**
Sales	$ —	$ 3,414,810
Cost of sales	—	2,444,014
Selling, general and administrative expenses	—	916,911
Amortization expense	—	—
Transaction costs	—	14,426
Goodwill impairment loss	—	—
Restructuring expenses	—	56,717
Loss on sale of assets	—	1,190,002
Operating loss before income taxes	—	(1,207,260)
Income tax (benefit) expense	—	(14,985)
Net loss from discontinued operations	$ —	$ (1,192,275)

During the year ended December 31, 2023, the Company recorded $56,717 in restructuring expenses, which consisted of severance and related benefits costs. The Company paid $56,717 in restructuring charges in 2023 and had no restructuring accruals recorded at December 31, 2023.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and the estimated useful lives are as follows:

	Estimated	**December 31**	
	useful life	**2024**	**2023**
Leasehold improvements	3-12 years	741,650	751,025
Machinery and equipment	3-15 years	1,229,921	1,182,664
Furniture and fixtures	3-10 years	66,289	93,013
		2,037,860	2,026,702
Less accumulated depreciation		(798,962)	(514,824)
		$ 1,238,898	$ 1,511,878

NOTE 8 – 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. As of October 1, 2024, we conducted our annual goodwill impairment test and concluded that the fair value of our reporting units exceeded its carrying value. However, during the fourth quarter of fiscal 2024, we performed an interim quantitative assessment as of December 31, 2024 related to the recoverability of our goodwill for our two reporting units as a result of a material decline in our stock price and forecasted revenues and operating results.

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 HEC reporting unit did not exceed its carrying value as of December 31, 2024 and recorded an impairment loss of $3,101,981 in its consolidated statement of operations.

The changes in the carrying amount of goodwill for the years ended December 31, 2024 and 2023 by reporting unit are as follows:

	HEC	SUNation	Total
December 31, 2023	$ 9,829,212	$ 10,716,638	$ 20,545,850
Goodwill impairment loss	(3,101,981)	—	(3,101,981)
December 31, 2024	$ 6,727,231	$ 10,716,638	$ 17,443,869
Gross goodwill	9,829,212	10,716,638	20,545,850
Accumulated impairment loss	(3,101,981)	—	(3,101,981)
Balance at December 31, 2024	$ 6,727,231	$ 10,716,638	$ 17,443,869

During the year ended December 31, 2024, the Company performed an impairment test for the asset group associated with the developed technology intangible asset. The test included comparing the sum of the estimated undiscounted future cash flow attributable to this asset and its carrying amounts, and recognizing an impairment for the amount to which the carrying amount exceeds the fair value of the asset. The Company recognized an impairment charge of $750,000 on its developed technology intangible asset as the Company determined in the fourth quarter of 2024 as this asset is no longer relevant for the Company's continued and future operations.

The Company's policy is to remove intangible assets once they are fully amortized. The Company's identifiable intangible assets with finite lives are being amortized over their estimated useful lives and were as follows:

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

		December 31, 2023			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Impairment Loss	Net
Tradenames & trademarks	3-8 years	$ 22,187,882	$ (7,729,549)	$ —	$ 14,458,333
Developed technology	4 years	2,400,000	(1,050,000)	—	1,350,000
Backlog	1 year	600,000	(600,000)	—	—
		$ 25,187,882	$ (9,379,549)	$ —	$ 15,808,333

Amortization expense on these identifiable intangible assets was $2,837,500 and $4,738,477 in 2024 and 2023, respectively. The weighted average remaining useful life at December 31, 2024 was 5.5 years. The estimated future amortization expense for identifiable intangible assets during the next five fiscal years is as follows:

Year Ending December 31:		
2025	$	2,237,500
2026		2,237,500
2027		2,237,500
2028		2,237,500
2029		2,237,500
Thereafter		1,033,333
Total	$	12,220,833

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Loan Payable

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

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

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

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

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

On March 3, 2025, the Company repaid the remaining balance of this loan in full. See further discussion within Note 17, Subsequent Events.

At December 31, 2024 and 2023, the combined loan and accrued interest balance was $680,513 and $497,052, respectively. A new effective interest rate of approximately 48.6% was established during the second quarter of 2023 based on the carrying value of the revised cash flows.

Interest and accretion expense was $721,061 and $853,809 for the years ended December 31, 2024 and 2023 respectively. The loan is collateralized by all of Pineapple Energy LLC's personal property and assets.

SUNation Short-Term and Long-Term Notes

In connection with the SUNation acquisition, on November 9, 2022, the Company issued a $5,000,000 Short-Term Limited Recourse Secured Promissory Note (the "Short-Term Note") and a $5,486,000 Long-Term Promissory Note (the "Long-Term Note"). The $5,000,000 Short-Term Note was secured by a pledge by the Company and Merger Sub of the equity of SUNation purchased under the Transaction Agreement and was scheduled to mature on August 9, 2023. It carried an annual interest rate of 4% until the three-month anniversary of issuance, 8% thereafter until the six-month anniversary of issuance, then 12% thereafter until the Short-Term Note was paid in full. On June 1, 2023 the Company used funds from the Decathlon Financing to repay the Short-Term Note in full. The repayment of Short-Term Note has been recorded as a debt extinguishment as the Company is relieved of its obligation under the Short-Term Note and the related pledge by the Company of the equity of SUNation to secure the repayment of the Short-Term Note has been terminated. Since the Short-Term Note was with a related party, the Company recorded a capital contribution of $36,291 based on the difference between the carrying amount and reacquisition price of the Short-Term Note.

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

On March 13, 2025, the Company paid the aforementioned unpaid interest totaling $710,897. See further discussion within Note 14, Subsequent Events.

The balance of the Long-Term Note recorded at December 31, 2024 and 2023 was $6,076,978 and $5,499,716, respectively. Interest and accretion expense related to the notes totaled $577,262 and $779,489 for the years ended December 31, 2024 and 2023, respectively.

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 provides for a loan facility for the Company in the maximum amount of $7.5 million with a maturity date of June 1, 2027 (the "Decathlon Fixed Loan"), with the full amount being advanced to the Company upon execution of the Loan Agreement. The Decathlon Fixed Loan contains customary conditions, representations and warranties, affirmative and negative covenants, mandatory prepayment provisions and events of default. The advances are secured by all present and hereafter acquired property of the Company.

At issuance of the Loan Agreement, the Company concluded that the potential acceleration of amounts outstanding under the Loan Agreement upon an event of default included a substantial premium and met the requirement to be bifurcated and recorded as a derivative liability at fair value at inception and at the end of each quarterly reporting period. However, based on management's estimates of the likelihood of certain events, the embedded derivative liability had no fair value at issuance and at the end of December 31, 2023. As of December 31, 2024, the fair value of this embedded derivative liability was estimated to be $24,800 and was recorded within current liabilities. For the year ended December 31, 2024, the Company recorded a loss of $24,800 from the change in fair value of the derivative liability, which is included in Other (expense) income, net in the consolidated statements of operations and comprehensive loss.

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

On March 3, 2025, the Company repaid the remaining balance of this loan in full. See further discussion within Note 17, Subsequent Events.

The Company incurred an aggregate of $348,065 in debt issuance costs that are recorded as a discount and are amortized using the effective interest method over the life of the Decathlon Fixed Loan using an effective interest rate of 21%. At December 31, 2024 and 2023, the combined loan and accrued interest balance was $6,586,325 and $7,408,925, respectively, and the unamortized debt issuance costs balance was $173,193 and $280,856, respectively. The Company recorded interest expense of $1,505,063 and $936,135 for the years ended December 31, 2024 and 2023, respectively.

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 will accrue 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) satisfies the interest accrual on the loans from initial issuance to the Conduit Maturity Date. The Initial Conduit Loan provided the Company with an option to request from Conduit additional advances for working capital on identical terms, conditions and interest rate as the Initial Conduit Loan on an OID basis, up to an aggregate principal sum of $500,000, and Conduit shall have the right, without commitment or obligation, to make such requested loan(s) by advancing 80% percent of the principal thereof. All such loans are secured by a pledge of all of the Company’s assets. As a condition to such loan(s), the Company agreed to cause the nomination of a designee of Conduit for election to its Board of Directors.

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

At issuance of the Original Conduit Note, the Company concluded that the potential acceleration of amounts outstanding under the loan agreements with Conduit upon an event of default or if the Company consummates one or more equity offerings meeting certain criteria (as noted above) included a substantial premium and met the requirement to be bifurcated and recorded as a derivative liability at fair value at inception and revalued at the end of each quarterly reporting period. The Company determined the initial fair value of this embedded derivative liability to be $8,080 and recorded a corresponding debt discount. As of December 31, 2024, the fair value of this embedded derivative liability was estimated to be $28,360 and was recorded within current liabilities. For the year ended December 31, 2024, the Company recorded a loss of $19,776 from the change in fair value of the derivative liability, which is included in “Other (expense) income, net" in the consolidated statements of operations and comprehensive loss.

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

On September 9, 2024, the Company and Conduit entered into an Amended and Restated Convertible Secured Note (the "First Amended Conduit Note") which amended the Original Conduit Note, which provided for an additional principal advance of $120,000 (the "Second Conduit Advance"). The First Amended Conduit Note also provides that Conduit may convert all or any portion of the Second Conduit Advance and all accrued but unpaid interest thereon into a number of shares (the "Conduit Note Conversion Shares") of the Company's common stock calculated as the total dollar amount to be converted divided by $22.50 ($0.45 prior to the Reverse Stock Splits) (the "Conversion Price"). The Company analyzed the changes made in the First Amended Conduit Note under ASC 470-50 to determine if extinguishment accounting was applicable. Under ASC 470-50-40-10, a modification or an exchange that adds or eliminates a substantive conversion option as of the conversion date is always considered substantial and requires extinguishment accounting. Since the First Amended Conduit Note added a substantive conversion option, extinguishment accounting is applicable. In accordance with the extinguishment accounting guidance, the Company recorded a loss on extinguishment of $35,657 which represents the difference between (a) the fair value of the modified loans due to Conduit less the net cash proceeds received from the Second Conduit Advance and (b) the carrying amount of the loans due to Conduit immediately prior to the Second Conduit Advance.

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

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

On February 28, 2025, the Company paid the $1,000,000 total loan balance to Conduit as the Company had gross proceeds from equity offerings in excess of $4.4 million. See further discussion in Note 17, Subsequent Events.

At December 31, 2024 and 2023, the loan balance was $1,000,000 and $0, respectively, and the unamortized debt issuance costs balance was $119,389 and $0, respectively. The Company recorded interest and accretion expense of $73,689 for the year ended December 31, 2024.

MBB Energy Bridge Loan

On July 22, 2024, the Company obtained bridge loan financing for working capital purposes from MBB Energy, LLC ("MBB"), an affiliate and related party 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 will accrue 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) satisfies the interest accrual on the loans from initial issuance to the MBB Maturity Date. The Company may request that MBB provide additional advances for working capital on identical terms, conditions and interest rate as the Initial MBB Loan on an OID basis, up to an aggregate principal sum of $500,000, and MBB shall have the right, without commitment or obligation, to make such requested loan(s) by advancing 80% percent of the principal thereof. All such loans are secured by a pledge of all of the Company's assets. MBB has granted Conduit the exclusive right to enforce MBB's loans on MBB's behalf.

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

At issuance of the Original MBB Note, the Company concluded that the potential acceleration of amounts outstanding under the loan agreements with MBB upon an event of default or if the Company consummates one or more equity offerings meeting certain criteria (as noted above) included a substantial premium and met the requirement to be bifurcated and recorded as a derivative liability at fair value at inception and at the end of each quarterly reporting period. The Company determined the initial fair value of this embedded derivative liability to be $8,080 and recorded a corresponding debt discount. As of December 31, 2024, the fair value of this embedded derivative liability was estimated to be $29,121 and was recorded within current liabilities. For the year ended December 31, 2024, the Company recorded a loss of $21,041 from the change in fair value of the derivative liability, which is included in “Other (expense) income, net" in the consolidated statements of operations and comprehensive loss.

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

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

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

On February 28, 2025, the Company paid the $1,000,000 loan balance to MBB as the Company had gross proceeds from equity offerings in excess of $4.4 million. See further discussion in Note 17, Subsequent Events.

At December 31, 2024 and 2023, the loan balance was $1,000,000 and $0, respectively, and the unamortized debt issuance costs balance was $125,391 and $0, respectively. The Company recorded interest and accretion expense of $82,689 for the year ended December 31, 2024.

Equipment Loans

The Company obtains various equipment loan agreements through SUNation. These loans are secured by machinery and equipment and expire at various dates through August 2029 with interest rates ranging from 4.5 to 9.7% per annum. The balance for the equipment loans recorded at December 31, 2024 and 2023 was $238,266 and $333,717, respectively. Interest expense was $24,332 and $16,047 for the years ended December 31, 2024 and 2023, respectively.

Promissory Note

Through the SUNation Acquisition, the Company acquired a promissory note with a former shareholder and member of SUNation through a buyout agreement. The promissory note includes monthly payments of principal and interest at an annual rate of 3.25%. The promissory note matures on March 1, 2031. The balance for the promissory note recorded at December 31, 2024 and 2023 was $1,409,313 and $1,656,416, respectively. Interest expense was $50,174 and $58,030 for the years ended December 31, 2024 and 2023, respectively.

Future Minimum Principal Payments

Future minimum principal payments under the aforementioned loans and notes for the next five years as of December 31, 2024 are as follows:

2025	$	9,691,455
2026		2,776,929
2027		3,877,665
2028		318,935
2029		305,149
Thereafter		46,014

The above table does not reflect the debt payoffs that took place subsequent to year end. See Note 17, Subsequent Events, for further discussion.

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.

We have accrued $1,300,000 for loss contingencies related to the PIPE Warrants that are payable in cash and stock in 2025. This liability is recorded within accrued loss contingencies in the Consolidated Balance Sheets at December 31, 2024. See Note 17, Subsequent Events related to the satisfaction of the liability through the payment of cash and issuance of stock subsequent to December 31, 2024.

NOTE 10 – RELATED PARTY TRANSACTIONS

Related party receivables

The Company has provided advances to employees resulting in a balance as of December 31, 2024 and 2023 of $23,471 and $46,448, respectively.

Leases

The Company leases its offices in Hawaii from a company owned by the prior owner of HEC, of whom is still an employee. The Company leased its New York office from a company owned by the prior owners of SUNation, one of whom is an officer and another the Chief Executive Officer and director of the Company, until September 12, 2024, when the building and related lease was sold to a third-party. See further information regarding these leases within Note 5, Leases.

Debt

Th Company has outstanding related party debt under the SUNation Long-Term Note and MBB Bridge Loan. See further information regarding this debt within Note 9, Commitments and Contingencies.

NOTE 11 – SHARE BASED COMPENSATION

2022 Equity Incentive Plan

On January 24, 2022 the board of directors adopted, and on March 16, 2022 the Company's shareholders approved, the Company's 2022 Equity Incentive Plan (the "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 13,333 shares of common stock (10,000,000 prior to the Reverse Stock Splits). At December 31, 2024, 614 shares had been issued under the 2022 Plan, 237 shares were subject to currently outstanding unvested restricted stock units ("RSUs"), and 12,482 shares were available for future awards. RSUs granted to employees generally vest over three years, with one-third vesting each year and RSUs granted to non-employee directors vest over one year.

Inducement Grants

On October 10, 2022, the board of directors approved an inducement grant of 110 RSUs in connection with the hiring of a new Chief Financial Officer. On November 6, 2022, the board of directors approved inducement grants totaling 179 RSUs in connection with the hiring of Senior Vice Presidents in connection with the SUNation Acquisition.

Restricted Stock Units

The following table summarizes the changes in the number of restricted stock units under the 2022 Equity Incentive Plan and inducement awards over the period from December 31, 2022 to December 31, 2024:

	Shares	Weighted Average Grant Date Fair Value
Outstanding – December 31, 2022	917	$ 1,932.41
Granted	545	1,040.99
Vested	(379)	1,486.15
Forfeited	(36)	1,500.00
Outstanding – December 31, 2023	1,047	1,513.36
Granted	168	442.50
Vested	(391)	1,428.57
Forfeited	(527)	1,065.74
Outstanding – December 31, 2024	297	1,151.72

All RSUs and weighted average grant date fair value per share values have been adjusted to reflect the impact of the Reverse Stock Splits of the common stock at ratios of 1-for-50 that became effective on October 17, 2024 and 1-for-15 that became effective on June 12, 2024. See Note 1, "Nature of Operations," for further details. The grant date fair value is calculated based on the Company's closing stock price as of the grant date.

Compensation Expense

Share-based compensation expense is recognized based on the fair value of awards granted over the vesting period of the award. Share-based compensation expense recognized for 2024 and 2023 was $29,002 and $1,212,956 respectively. Unrecognized compensation expense related to outstanding RSUs was $96,694 at December 31, 2024 and is expected to be recognized over a weighted-average period of 1.2 years. Share-based compensation expense is recorded as a part of selling, general and administrative expenses.

Employee Stock Purchase Plan

On December 7, 2022, the Company's shareholders approved an Employee Stock Purchase Plan ("ESPP"), pursuant to which eligible employees are able to acquire shares of common stock at a purchase price determined by the board of directors or compensation committee prior to the start of each six-month plan phase, which price may not be less than 85% of the fair market value of the lower of the value on the first day or the last day of the phase, or the value on the last day of the phase. The ESPP is considered compensatory under current Internal Revenue Service rules. At December 31, 2024, 400 shares remained available for purchase under the ESPP.

Employee Stock Ownership Plan (ESOP)

The Company has an Employee Stock Ownership Plan under Legacy CSI. Under the conditions of the merger, this plan has been suspended for future contributions. At December 31, 2024, the ESOP held no shares of the Company's common stock as the plan is in the process of being terminated.

NOTE 12 – EQUITY

Series A Preferred Stock

In June 2021, the Company entered into a stock purchase agreement to issue Series A Preferred Stock. The Company's outstanding Series A Preferred Stock contained anti-dilution provisions that would increase the number of shares issuable upon conversion, and lower the conversion price of the Series A Preferred Stock if the Company issues equity securities at a price less than the current conversion price of the Series A Preferred Stock at the time of such issuance. In February 2024, the Company entered into a Limited Waiver and Amendment ("Waiver") and the investors agreed to a floor of $105.00 ($0.14 prior to the Reverse Stock Splits) with respect to the adjustment set forth for the conversion price and to waive future anti-dilution protection with respect to 50% of the shares of Preferred Stock held by such purchasers as of the date of the Waiver.

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

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

On July 19, 2024, the shareholders of the Company approved an amendment to the Company's Fourth Amended and Restated Articles of Incorporation (the "Articles of Incorporation") to increase the number of authorized shares of common stock and as a result the Company had sufficient authorized and unissued shares to settle a conversion to common stock. Accordingly, the Series A Preferred Stock was reclassified to permanent equity at the date of the event that caused the reclassification. See description of Series C Preferred Stock issued in exchange for the then outstanding Series A Preferred Stock and PIPE Warrants.

On September 9, 2024, as a result of the issuance of the First Amended Conduit Note (see Note 9, "Commitments and Contingencies," for further details), the adjustment provisions in the Series A Preferred Stock were triggered and caused certain adjustments in the currently effective conversion price of the Series A Preferred Stock. The Company recognized the effect of the down round feature triggered on September 9, 2024 as the difference between: (1) the fair value of the Series A Preferred Stock using the pre-trigger conversion price, and (2) the fair value of the Series A Preferred Stock using the reduced conversion price. The value of the effect of the down round feature of $3,464,426 was recognized as a deemed dividend in the year ended December 31, 2024 that reduced APIC and income available to common shareholders in calculating earnings per share.

Warrants

In September 2021, the Company entered into transactions with holders of its outstanding Series A Preferred Stock to issue PIPE Warrants to purchase the Company's common stock. The Company's outstanding PIPE Warrants have anti-dilution provisions that would increase the number of shares issuable upon exercise and lower the exercise price of the PIPE Warrants if the Company issues equity securities at a price less than the current exercise price of the PIPE Warrants at the time of such issuance. Pursuant to the Waiver, investors agreed to a floor of $22.50 ($0.14 prior to the Reverse Stock Splits) with respect to the anti-dilution adjustments in the warrants and extend the term of the warrants until March 28, 2029.

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

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

On July 19, 2024, the shareholders of the Company approved an amendment to the Articles of Incorporation to increase the number of authorized shares of common stock and as a result the Company had sufficient authorized and unissued shares to settle an exercise of the contract. Accordingly, management determined that the warrants should be reclassified to equity. In accordance with the guidance in ASC 815-40-35-10, management remeasured the warrant liability to fair value immediately before the reclassification and recorded the change in fair value to other income (expense) in the consolidated statement of operations.

On September 9, 2024, as a result of the issuance of the First Amended Conduit Note (see Note 9, "Commitments and Contingencies," for further details), the adjustment provisions in the warrants were triggered and caused certain adjustments in the currently effective exercise price of the warrants and a proportional increase in the amount of shares of common stock issuable under the warrants. The Company recognized the effect of the down round feature triggered on September 9, 2024 as the difference between: (1) the fair value of the warrants using the pre-trigger conversion price, and (2) the fair value of the warrants using the reduced conversion price. The value of the effect of the down round feature of $875,737 was recognized as a deemed dividend in the year ended December 31, 2024 that reduced income available to common shareholders in calculating earnings per share.

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

Preferred Stock and warrants. As a result, the difference between the carrying amount of the Series A Preferred Stock and warrants and the fair value of the Series C Preferred Stock of $4,075,681 was recognized as a deemed contribution in the year ended December 31, 2024 that increased APIC and income available to common shareholders in calculating earnings per share.

Series C Preferred Stock

On September 9, 2024, the Company's board of directors authorized the issuance of up to 35,000 shares of Series C Preferred Stock. As a result of the exchange noted above, the Company issued 28,041 shares of Series C Preferred Stock. Each share of Series C Preferred Stock is convertible, at any time after issuance and at the option of the holder subject to certain beneficial ownership limitations, into a number of shares of common stock determined by dividing the Stated Value of such share by the Conversion Price. The Stated Value per share of Series C Preferred Stock is $1,000.00 and the Conversion Price per share of Series C Preferred Stock is $22.50 ($0.45 prior to the October Reverse Stock Split). The Series C Preferred Stock does not contain any of the price resets set forth in the Series A Preferred Stock, except in the case of stock splits, recapitalizations and similar transactions by the Company. During 2024, all 28,041 shares of Series C Preferred Stock were converted into 1,246,262 shares of common stock. As of December 31, 2024, there were no shares of Series C Preferred Stock outstanding.

The holders of Series C Preferred Stock were entitled to vote exclusively with respect to a proposal submitted to the Company's shareholders at a meeting of shareholders to be held by the Company to approve the changing of the Company's state of incorporation from the State of Minnesota to the State of Delaware together as a single class with the common stock on an as-converted basis, subject to the beneficial ownership limitations, as follows: each share of Series C Preferred Stock shall be entitled to such number of votes equal to the quotient obtained by dividing: (i) the Stated Value by (ii) $39.573 ($0.79146 prior to the Reverse Stock Splits). As long as any shares of Preferred Stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the then outstanding shares of Series C Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the Series C Preferred Stock or alter or amend the Certificate of Designation, (b) authorize or create any class of stock ranking as to redemption senior to the Series C Preferred Stock, (c) amend its articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of the Series C Preferred Stock, (d) increase the number of authorized shares of the Company's preferred stock, or (e) enter into any agreement with respect to any of the foregoing. The holders of Series C Preferred Stock are not entitled to voting rights except for the foregoing and to the extent required by law.

Series B Preferred Stock

On May 13, 2024, the Company entered into a Subscription and Investment Representation Agreement pursuant to which the Company agreed to issue and sell one share of the Company's Series B Preferred Stock, par value $1.00 per share ("Series B Preferred Stock"), for $15. The sale closed on May 14, 2024.

On May 13, 2024, the Company filed a certificate of designation (the "Certificate of Designation") with the Secretary of State of Minnesota, effective as of May 13, 2024, designating the rights, preferences, privileges and restrictions of the share of the Series B Preferred Stock. The Certificate of Designation provides that the share of Series B Preferred Stock has 5,000,000,000 votes and will vote together with the outstanding shares of the Company's common stock as a single class exclusively with respect to (i) any proposal to amend the Company's Articles to effect a reverse stock split of the Company's common stock (the "Reverse Stock Split Proposal") and (ii) any proposal to adopt an amendment to the Articles, or any other proposal to otherwise approve or ratify, to increase the authorized number of shares of common stock, either by increasing the total number of authorized shares or by effecting a reverse stock split without a corresponding decrease in the number of authorized shares (the "Authorized Shares Increase Proposal"). The Series B Preferred Stock will also be entitled to vote in the election of directors, but will only have one vote to cast with respect to each director nominee.

Under the Certificate of Designation, the outstanding share of Series B Preferred Stock will be cancelled in whole, but not in part, at any time (i) if such cancellation is ordered by the Company's board of directors in its sole discretion or (ii) automatically upon the approval by the Company's shareholders of the Reverse Stock Split Proposal and Authorized Shares Increase Proposal at any meeting of shareholders. The holder of the share of Series B Preferred Stock was not entitled to any consideration upon such cancellation. The shareholders approved the Reverse Stock Split Proposal and Authorized Shares Increase Proposal on July 19, 2024 and, as a result, the share of Series B Preferred Stock was automatically cancelled at that time.

Registered Direct Offering

On February 5, 2024, the Company entered into a securities purchase agreement with certain institutional investors for the sale by the Company of 3,604 shares (2,702,703 prior to the Reverse Stock Splits) of the Company's common stock in a registered direct offering. The purchasers in this offering purchased, and the Company sold, the shares at a purchase price per share of

$277.50 ($0.37 prior to the Reverse Stock Splits). The sale closed on February 7, 2024 for aggregate gross proceeds of $1.0 million, before deducting the placement agent fees and related offering expenses.

At the Market Offering

On October 21, 2024, the Company entered into an At the Market ("ATM") Offering Agreement (the "Sales Agreement") with Roth Capital Partners, LLC (the "Sales Agent"). The Company has authorized the sale, at its discretion, of common stock shares in an aggregate offering amount up to $10,000,000 under the Sales Agreement pursuant to the Company's effective Registration Statement on Form S-3 (File No. 333-267066), as supplemented by a prospectus supplement. Through December 31, 2024, the Company sold an aggregate of 448,216 shares of common stock for gross proceeds of $2,457,354 under the ATM facility, before deducting the placement agent fees and related offering expenses.

NOTE 13 - INCOME TAXES

Income tax (benefit) expense from continuing operations consists of the following:

	Year Ended December 31	
	2024	2023
Current year income taxes :		
Federal	$ —	$ 17,622
State	76,398	59,975
	76,398	77,597
Deferred income taxes:		
Federal	$ (41,579)	$ 41,579
	(41,579)	41,579
Income tax expense	$ 34,819	$ 119,176

The provision for income taxes for continuing operations varied from the federal statutory tax rate as follows:

	Year Ended December 31	
	2024	2023
Tax at U.S. statutory rate	21.0%	21.0%
State income taxes, net of federal benefit	(3.8)	4.4
Other nondeductible items	(4.3)	2.1
Change in valuation allowance	(8.1)	(30.0)
Other	(5.0)	0.5
Effective tax rate	(0.2)%	(2.0%)

Deferred tax assets and liabilities as of December 31 related to the following:

	2024	2023
Deferred tax assets:		
Allowance for doubtful accounts	$ 62,747	$ 24,266
Inventory	98,271	32,768
Accrued and prepaid expenses	287,495	131,692
Lease liability	988,437	1,183,679
Domestic net operating loss carry-forward	6,018,361	5,308,336
Other stock compensation	72,613	214,248
Intangible assets	—	214,600
Foreign net operating loss carry-forwards and credits	1,910,507	1,451,985
Federal and state credits	369,839	357,430
Business interest limitation carryforward	1,696,118	914,917
Other	15,961	464,019
Gross deferred tax assets	11,520,349	10,297,940
Valuation allowance	(10,248,132)	(8,970,982)
Net deferred tax assets	1,272,217	1,326,958
Deferred tax liabilities		
Depreciation	(109,390)	(203,210)
Intangible assets	(202,202)	—
Lease right-of-use asset	(960,625)	(1,165,327)
Net deferred tax liability	(1,272,217)	(1,368,537)
Total net deferred tax liability	$ —	$ (41,579)

The Company assesses available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2024. This objective evidence limits the ability to consider other subjective evidence such as the projections for future growth. On the basis of this evaluation, as of December 31, 2024, a valuation allowance of $10,248,132 has been recorded to reflect the portion of the deferred tax asset that is more likely to not be realized. The valuation allowance increased by $1,277,150 from December 31, 2023 to December 31, 2024. The Company continues to reassess the ability to realize the valuation allowance and if future evidence allows for a partial or full release of the valuation allowance, a tax benefit will be recorded accordingly.

As of December 31, 2024, the Company had had gross federal, state and foreign net operating loss carryforwards of $25,403,581, $15,332,443 and $7,642,027, respectively. The federal net operating loss carryforwards have carryforward periods of twenty years, or that are indefinite, and begin to expire in 2029. The state net operating loss carryforwards have carryforward periods of 12-20 years, or that are indefinite and begin to expire in 2027. The foreign net operating loss carryforwards are indefinite.

Section 382 of the Internal Revenue Code limits the utilization of U.S. net operating loss carryforwards and other tax attributes following a change of ownership or failure of continuity of business. Based on our analysis under Section 382, we believe that certain tax attributes will be subject to a limitation and will not be available for future periods. Management will continue to evaluate the limitation under Section 382 and does not expect a material impact because of the valuation allowance against the net deferred tax asset.

At December 31, 2024, the Company has an estimated federal research and development credit carryforward of approximately $220,000 and a state research and development credit carryforward of approximately $193,000. The utilization of these credits may be limited under the provisions of Section 383 of the Internal Revenue Code and similar state statutes. Section 383 governs the utilization of tax attribute carryforwards such as the research and development credit in the event of a change in control of the Company, such as that which occurred as of March 28, 2022. Credits not used to reduce taxes are available to be carried forward.

The Company assesses uncertain tax positions in accordance with ASC 740. Under this method, the Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from these uncertain tax positions are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. The Company's practice is to recognize interest and penalties related to income tax matters in income tax expense.

Changes in the Company's uncertain tax positions are summarized as follows:

	2024	2023
Uncertain tax positions – January 1	$ 43,028	$ 75,347
Expiration of statute of limitations	(7,560)	(32,319)
Uncertain tax positions – December 31	$ 35,468	$ 43,028

Included in the balance of uncertain tax positions at December 31, 2024 are $35,468 of tax benefits that if recognized would affect the tax rate. The Company's unrecognized tax benefits will be reduced by $2,803 in the next twelve months as a result of the statute of limitations. There are no other expected significant changes in the Company's uncertain tax positions in the next twelve months. The Company's income tax liability accounts included accruals for interest and penalties of $0 at December 31, 2024. The Company's 2024 income tax expense decreased by $0 due to net decreases for accrued interest and penalties.

The Company is subject to taxation by the United States, foreign and state and local jurisdictions. In general, the Company's tax years 2019 through 2023 remain open to assessment.

NOTE 14 – SEGMENT INFORMATION

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

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

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

The Company had no customers that comprised more than 10% of the Company's consolidated revenues during either of the years ended December 31, 2024 and 2023.

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.

	Year ended December 31, 2024			
	SUNation	HEC	Corporate and Other	Total
Sales	$ 39,733,362	$ 17,128,391	$ —	$ 56,861,753
Cost of sales	24,639,695	11,795,814	—	36,435,509
Gross profit	15,093,667	5,332,577	—	20,426,244
Operating expenses:				
Selling, general and administrative expenses	15,265,443	4,530,879	7,257,844	27,054,166
Amortization expense	812,500	2,025,000	—	2,837,500
Fair value remeasurement of SUNation earnout consideration	—	—	(1,000,000)	(1,000,000)
Goodwill impairment loss		3,101,981		3,101,981
Intangible asset impairment loss	—	750,000	—	750,000
Total operating expenses	16,077,943	10,407,860	6,257,844	32,743,647
Operating (loss) income	(984,276)	(5,075,283)	(6,257,844)	(12,317,403)
Other income (expenses):				
Investment and other income	25,920	17,742	100,867	144,529
(Loss) gain on sale of assets	—	6,118	(6,940)	(822)
Fair value remeasurement of warrant liability	—	—	(974,823)	(974,823)
Fair value remeasurement of embedded derivative liability	—	—	(65,617)	(65,617)
Fair value remeasurement of contingent value rights	—	—	522,257	522,257
Interest expense	(74,507)	—	(3,012,943)	(3,087,450)
Loss on debt extinguishment	—	—	(35,657)	(35,657)
Other expense, net	(48,587)	23,860	(3,472,856)	(3,497,583)
Operating loss from continuing operations before income taxes	$ (1,032,863)	$ (5,051,423)	$ (9,730,700)	$ (15,814,986)
Depreciation and amortization	$ 1,031,418	$ 2,120,364	$ 2,050	$ 3,153,832
Capital expenditures	$ 24,155	$ 8,630	$ —	$ 32,785
Assets	$ 26,127,816	$ 18,150,306	$ 1,434,610	$ 45,712,732

	Year ended December 31, 2023			
	SUNation	HEC	Corporate and Other	Total
Sales	$ 52,363,710	$ 27,268,999	$ —	$ 79,632,709
Cost of sales	32,992,901	18,943,618	—	51,936,519
Gross profit	19,370,809	8,325,381	—	27,696,190
Operating expenses:				
Selling, general and administrative expenses	16,178,126	5,448,385	7,448,067	29,074,578
Amortization expense	1,362,500	2,025,000	1,350,977	4,738,477
Fair value remeasurement of SUNation earnout consideration	—	—	1,350,000	1,350,000
Total operating expenses	17,540,626	7,473,385	10,149,044	35,163,055
Operating (loss) income	1,830,183	851,996	(10,149,044)	(7,466,865)
Other income (expenses):				
Investment and other income	35,633	9,773	146,178	191,584
(Loss) gain on sale of assets	—	(5,279)	442,395	437,116
Fair value remeasurement of contingent value rights	—	—	2,674,966	2,674,966
Interest expense	(74,077)	—	(2,583,440)	(2,657,517)
Other expense, net	(38,443)	4,494	680,099	646,149
Operating loss from continuing operations before income taxes	$ 1,791,740	$ 856,490	$ (9,468,945)	$ (6,820,716)
Depreciation and amortization	$ 1,676,842	$ 2,105,685	$ 1,353,893	$ 5,136,420
Capital expenditures	$ 473,236	$ 173,080	$ 9,375	$ 655,691
Assets	$ 28,738,285	$ 26,097,414	$ 3,337,112	$ 58,172,811

NOTE 15 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

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 December 31, 2024 and 2023 are summarized below.

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

	December 31, 2023			
	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents:				
Money Market funds	$ 1,799,357	$ —	$ —	$ 1,799,357
Subtotal	1,799,357	—	—	1,799,357
Liabilities:				
Contingent value rights	—	—	(1,691,072)	(1,691,072)
Earnout consideration	—	—	(3,500,000)	(3,500,000)
Subtotal	—	—	(5,191,072)	(5,191,072)
Total	$ 1,799,357	$ —	$ (5,191,072)	$ (3,391,715)

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

	Year Ended December 31, 2024				
	Contingent value rights	Warrant liability	Embedded derivative liability	Earnout consideration	Total
December 31, 2023	$ (1,691,072)	$ —	$ —	$ (3,500,000)	$ (5,191,072)
Reclassification from equity	—	(10,592,220)	—	—	(10,592,220)
Additions	—	—	(16,664)	—	(16,664)
Warrant exercise	—	324,789	—	—	324,789
Distribution	856,735	—	—	—	856,735
Fair value adjustments	522,257	(974,823)	(65,617)	1,000,000	481,817
Reclassification to Level 2				2,500,000	2,500,000
Reclassification to equity	—	11,242,254	—	—	11,242,254
December 31, 2024	$ (312,080)	$ —	$ (82,281)	$ —	$ (394,361)

	Year Ended December 31, 2023		
	Contingent value rights	Earnout consideration	Total
December 31, 2022	$ (7,402,715)	$ (2,150,000)	$ (9,552,715)
Distribution	3,036,677	—	3,036,677
Fair value adjustments	2,674,966	(1,350,000)	1,324,966
December 31, 2023	$ (1,691,072)	$ (3,500,000)	$ (5,191,072)

The estimated fair value of the CVRs as of December 31, 2024 and 2023 was $312,080 and $1,691,072, respectively, as noted above. The Company recorded a $522,257 gain on the fair value remeasurement of the CVRs in 2024 and a $2,674,966 gain on the fair value remeasurement of the CVRs in 2023. The Company paid $856,736 and $3,036,676 in CVR distributions during the 2024 and 2023, respectively.

The estimated fair value of earnout consideration related to the acquisition of SUNation as of December 31, 2024 and 2023 was $2,500,000 and $3,500,000, respectively. The $2,500,000 balance at December 31, 2024 is related to the first earnout period recorded in current liabilities. See further discussion within Note 17, Subsequent Events on the subsequent payment of this liability. The estimated fair value is now considered a Level 2 measurement now that the earnout amounts have been established and there is no longer a reliance on unobservable inputs. The fair value was considered a Level 3 measurement at December 31, 2023 and in order to update the fair value of the earnout consideration, the Company utilized a Monte Carlo simulation, which included the following significant assumptions: the expected probability and timing of achievement of milestone events. As a result of the fair value remeasurement, the Company recorded a remeasurement gain of $1,000,000 and a remeasurement loss of $1,350,000 during the years ended December 31, 2024 and 2023, respectively.

The estimated fair value of the PIPE warrants was $0 as of both December 31, 2024 and 2023, respectively. As noted in Note 12, the warrants were classified as a liability during the first quarter of 2024, resulting in a $10,592,202 reclassification from equity. During the third quarter of 2024, the warrants met equity classification requirements upon the shareholder approval of an increase in authorized outstanding shares and reclassified the fair value liability totaling $11,242,254 back to equity. The estimated fair value is considered a Level 3 measurement and the fair value of the warrant liability is determined using a Monte Carlo simulation to model future movement of the stock price. As a result of the fair value remeasurement, the Company recorded a remeasurement loss of $974,823 and $0 during the years ended December 31, 2024 and 2023, respectively.

The estimated fair value of the embedded derivative liability was $82,281 and $0 as of December 31, 2024 and 2023, respectively. As a result of the fair value remeasurement, the Company recorded a remeasurement loss of $65,617 and $0 during the years ended December 31, 2024 and 2023, respectively. The estimated fair value is considered a Level 3 measurement and the fair value of the embedded derivative liability is determined based on a comparison of the present value of cash flows with and without the embedded derivative. This analysis includes management estimates of the likelihood of events of prepayment and default on the Decathlon, MBB and Conduit loans.

The fair value remeasurement related to the SUNation earnout was recorded within operating expenses. The other fair value remeasurements noted above were recorded within other income (expense) in the 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 year ended December 31, 2024, other than the earnout consideration that was transferred from Level 3 to Level 2.

NOTE 16 – GOING CONCERN

The Company's financial statements as of December 31, 2024 have been prepared in accordance with GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Based on the Company's current financial position, which includes approximately $0.3 million of restricted cash, cash equivalents and investments that are restricted under the CVR agreement and cannot be used by the Company for its own working capital needs, and the Company's forecasted future cash flows for twelve months beyond the date of issuance of these financial statements, substantial doubt exists around the Company's ability to continue as a going concern for a reasonable period of time. As noted in Note 17, Subsequent Events, the Company raised capital and satisfied certain outstanding debt obligations subsequent to year end, 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 17 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date of this filing.

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 (1) 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. Such share was held in escrow by legal counsel to the Company, and upon full payment of the Conduit Loan and following the April 2025 special meeting of shareholders, the Series D Preferred Stock share has been returned to the Company and will be cancelled.

February 2025 Offering

On February 27, 2025, the Company entered into a securities purchase agreement (the "Purchase Agreement") with certain institutional investors in which Roth Capital Partners LLC ("Roth") acted as the placement agent pursuant to the terms of a Placement Agent Agreement ("PAA") of same date, for the purchase and sale of an aggregate of $15 million in securities pursuant to a registration statement on Form S-3 (File No. 333-267066) in a first closing consisting of (i) 1,965,000 shares of common stock (the "Shares"), and (ii) pre-funded warrants to purchase up to 11,078,480 shares of common stock (the "Pre-Funded Warrants), and an aggregate of $5 million in securities in a second closing consisting of (x) 4,347,826 Shares or Pre-Funded Warrants, (y) series A warrants to purchase up to 17,391,306 shares of common stock (the "Series A Warrants"), and (z) series B warrants to purchase up to 17,391,306 shares of common stock (the "Series B Warrants") in a registered direct offering (the "Offering") at a purchase price of $1.15 per Share and accompanying warrants or $1.1490 per Pre-Funded Warrant and accompanying warrants. The Series A warrants will have an exercise price of $1.725 per share 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 will have an exercise price of $2.875 per share 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 may 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 will be issued at the second closing and will be exercisable immediately after issuance and have a term of exercise equal to 5 years from the date of issuance. The Pre-Funded Warrants will be exercisable commencing upon issuance and expiring upon the exercise of the Pre-Funded Warrants in full, at an exercise price of $0.001 per share, subject to certain adjustments set forth therein.

A holder (together with its affiliates) may not exercise any portion of the Series A Warrant, Series B Warrant or Pre-Funded Warrant to the extent that the holder would own more than 4.99% (or, at the holder's option upon issuance, 9.99%) of the Company's outstanding common stock immediately after exercise. However, upon at least 61 days' prior notice from the holder to the Company, a holder with a 4.99% ownership blocker may increase the amount of ownership of outstanding common stock after exercising the holder's Series A Warrant, Series B Warrant or Pre-Funded Warrant up to 9.99% of the number of the Company's common stock outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Series A Warrant, Series B Warrant or Pre-Funded Warrant.

The Purchase Agreement contains customary representations and warranties and agreements of the Company and the Purchaser and customary indemnification rights and obligations of the parties. The first closing of the Offering occurred on February 27, 2025. 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. The second closing of the Offering occurred on April 7, 2025. The

Company received gross proceeds of approximately $20 million in connection with the Offering, before deducting placement agent fees and related offering expenses.

On February 27, 2025, pursuant to the Purchase Agreement, the Company entered into lock-up agreements (the “Lock-up Agreements”) with its directors, officers and certain principal shareholders, pursuant to which they will not offer, sell, contract to sell, hypothecate, pledge or otherwise dispose of any of the Company’s equity securities for a period of 90 days following the each closing of the Offering, subject to certain exceptions.

Pursuant to the PAA between the Company and Roth, the Company engaged Roth to act as the Company’s exclusive placement agent in connection with the Offering. The Company agreed to pay the placement agent a cash fee of 7.5% of the gross proceeds the Company receives under the Purchase Agreement.

Loan and Earnout Repayments

Conduit and MBB

The Company consummated the first tranche of a securities offering for gross proceeds of $15 million (the “Equity Financing”). In accordance with the terms of the Conduit and MBB loan agreements (see Note 9, Commitments and Contingencies, for further information), if the Company were to consummate one or more equity offerings prior to the maturity date of July 21, 2025 in which it derives aggregate gross proceeds of at least $4.4 million, the Company will be required to repay the entire unpaid principal amount of all loans due to Conduit and MBB, simultaneous with the closing(s) of such offering(s). As of February 28, 2025, the aggregate Conduit loan balance was $1,000,000 and the aggregate MBB loan balance was $1,000,000, which were both repaid in full from a portion of the net proceeds of the Equity Financing following the consummation thereof. As a result of this complete repayment, both the Conduit and MBB notes have been terminated and no further principal, interest or accrual thereunder remain following the repayment and related termination of the Conduit and MBB loan agreement(s).

Decathlon

As noted in Note 9, Commitments and Contingencies, the Company entered into a Revenue Loan and Security Agreement (the “Loan Agreement”) with Decathlon for $7.5 million with an original maturity date of June 1, 2027. As of March 3, 2025, the remaining aggregate balance, together with accrued principal and interest, remaining under the Loan Agreement was $6,740,516; however, the parties to the Loan Agreement recently agreed to a reduced aggregate repayment amount of $6,229,875 if voluntarily repaid early in full. Using a portion of the proceeds from the Equity Financing, the Company voluntarily repaid in full all of the accrued principal and interest due to Decathlon in the reduced aggregate noted above. As a result of this complete repayment, the Decathlon Loan Agreement has been terminated (together with other agreements and instruments related thereto), and no further monthly or other payments or remuneration of any kind shall be paid or be payable following the termination of this Loan Agreement, and no early termination penalties or prepayment premium were incurred by the Company in connection with the termination of this Loan Agreement.

Hercules

As noted in Note 9, Commitments and Contingencies, the Company entered into a loan agreement on December 11, 2020 in an original amount of $7,500,000 payable to Hercules under a loan and security agreement (the “Term Loan Agreement”), with an amended Maturity Date of June 2, 2027. As of March 3, 2025, the loan and accrued interest balance was $1,230,555; however, the parties to the Term Loan Agreement recently agreed to a reduced aggregate repayment amount of $1,138,263 if voluntarily repaid early in full. Following the consummation of the Equity Financing, the Company used a portion of the proceeds therefrom to voluntarily repay in full all of the accrued principal and interest due to Hercules in the (reduced) aggregate noted above. 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.

SUNation Long-Term Note and Earnout

As noted in Note 9, Commitments and Contingencies, on November 9, 2022, in connection with the SUNation acquisition, the Company entered into a $5,486,000 Long-Term Promissory Note (the “Long-Term Note”). The Company was unable to make its second and third interest payments totaling $250,703 and $460,194 due on December 31, 2023 and 2024, respectively as it was not permitted to make any payments under the Long-Term Note unless Decathlon had provided prior written consent to such payment pursuant to the Loan Agreement. As noted above, the Company paid the Decathlon debt in full and no longer had to receive written consent to make these payments. On March 13, 2025, the Company paid the unpaid interest totaling $710,897.

As noted in Note 15, Fair Value Measurements, the Company recorded a $2,500,000 earnout consideration accrual at December 31, 2025 related to the SUNation acquisition. On March 13, 2025, the Company paid $389,103 and on April 7 2025, paid the remaining $2,110,897 to satisfy the outstanding liability in full.

Subsequent to making the March 13, 2025 interest payment, the original Long-Term Note was amended and restated on April 10, 2025 as follows: The principal amount of $5,486,000 previously due and payable under the original Long Term Note, together with all accrued and unpaid interest owing thereunder, shall be due and payable on May 1, 2028 (the "Maturity Date"), and such amended note shall become a senior secured instrument. Principal and interest payments under the amended Long-Term Note shall be payable monthly on the first day of each month commencing with June 1, 2025 for thirty-six (36) consecutive months thereafter pursuant to the terms thereunder. 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 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 note holders at the time of such earnout payment trigger date.

Previously Issued Warrant Settlement Exchange

As disclosed in Note 9, Commitments and Contingencies, we have accrued $1,300,000 for loss contingencies related to the PIPE Warrants that are payable in cash and stock. During the first quarter of 2025, we settled this obligation by issuing 1,213,656 shares of common stock, with all such issuances at the market value (with no anti-dilution or price reset features), and to paying a total of $432,330 in cash.

Nasdaq Delisting Notice

On April 11, 2025 the Company received a letter (the "Minimum Bid Price Deficiency Letter") from the Listing Qualifications Department (the "Staff") of The Nasdaq Stock Market ("Nasdaq") notifying the Company that, for the 30 consecutive business day period immediately preceding deficiency letter, the Company's common stock had not maintained a minimum closing bid price of $1.00 per share (the "Minimum Bid Price Requirement") and, as a result, does not comply with Listing Rule 5550(a)(2) (the "Rule"). Normally, a company would be afforded a 180-calendar day period to demonstrate compliance with the Rule ("Cure Period"); however, pursuant to Listing Rule 5810(c)(3)(A)(iv), the Company is not eligible for a customary Cure Period specified in Rule 5810(c)(3)(A) due to the fact that the Company has effected a reverse stock split over the prior one-year period or has effected one or more reverse stock splits over the prior two-year period with a cumulative ratio of 250 shares or more to one.

Instead, the Company is offered an opportunity to appeal any deficiency related to a delisting determination to Nasdaq by seven days from receipt of the non-compliance notice. Accordingly, unless the Company timely requests a hearing before a Hearings Panel, the Company's securities would be subject to suspension/delisting.

The Company intends to timely request a hearing before the Hearing Panel. The hearing request will automatically stay any suspension or delisting action pending the hearing and the expiration of any additional extension period if granted by the Panel following the hearing. There can be no assurance that the Panel will grant the Company an additional extension period or that the Company will ultimately regain compliance with all applicable requirements for continued listing on The Nasdaq Capital Market.

In the event that the Company regains compliance with the Minimum Bid Price Requirement prior to any scheduled hearing date, then a hearing may not be necessary, as the Company may be mooted out of the hearings process. Additionally, to this end, the stockholders of the Company had approved a share consolidation on April 3, 2025 that can be utilized within the discretion of the board of directors of the Company and, if and when effectuated, such action may resolve the above noted Nasdaq listing compliance deficiency prior to such hearing date.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of December 31, 2024. 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.

Management Report on Internal Control over Financial Reporting

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

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

Remediation Plan

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

Inherent Limitations on Control Systems

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

Changes in Internal Control

Except as discussed above, there were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2024, 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).

In addition, the Company is reporting the following information in this Annual Report on Form 10-K in lieu of filing a Form 8-K:

SUNation Long-Term Note and Earnout

On November 9, 2022, in connection with the SUNation acquisition, the Company entered into a $5,486,000 Long-Term Promissory Note (the "Long-Term Note"). The Company was unable to make its second and third interest payments totaling $250,703 and $460,194 due on December 31, 2023 and 2024, respectively as it was not permitted to make any payments under the Long-Term Note unless Decathlon had provided prior written consent to such payment pursuant to the then outstanding Loan Agreement. As noted in the Subsequent Event Note 17 of this annual report, in March 2025, the Company paid the Decathlon debt in full and no longer had to receive written consent to make these payments. On March 13, 2025, the Company paid the unpaid interest totaling $710,897. In addition, the Company had recorded a $2,500,000 earnout consideration accrual at December 31, 2024 related to the SUNation acquisition. On March 13, 2025, the Company paid $389,103 and on April 7, 2025, paid the remaining $2,110,897 to satisfy the outstanding liability in full.

Subsequent to making the March 13, 2025 payment noted above, the original Long-Term Note was amended and restated on April 10, 2025 as follows: The principal amount of $5,486,000, previously due and payable as a one-time payment under the original Long-Term Note, together with all accrued and unpaid interest owing thereunder, was extended to now be due and payable in monthly installments through May 1, 2028 (the "Maturity Date"), and such amended note shall become a senior secured instrument. Principal and interest payments under the amended Long-Term Note shall be payable monthly on the first day of each month commencing with June 1, 2025 for thirty-six (36) consecutive months thereafter pursuant to the terms thereunder. 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 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 over a period of twenty-four (24) months, which payment is further conditioned on the continued employment of the note holders at the time of such earnout payment trigger date. A copy of each of the amended and restated secured Long-Term Note and the Senior Secured Contingent Note Instrument, along with the Security Agreement, is annexed as an exhibit to this annual report, the complete terms of which are incorporated by reference herein.

Amendment to our Certificate of Incorporation

On April 3, 2025, the Company held a Special Meeting of Shareholders seeking approval to, among other items, amend our certificate of incorporation. On April 4, 2024, we filed an Amended Certificate of Incorporation with the Secretary of State of the State of Delaware reflecting an increase of its authorized shares of common stock to 1,000,000,000 shares, the form of which is annexed as an exhibit to this annual report, a copy of which is annexed as an exhibit to this annual report.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is hereby incorporated by reference to the definitive proxy statement for our 2024 Annual Meeting of Shareholders (the "2024 Proxy Statement"), or in an amendment to this Annual Report on Form 10-K (the "Form 10-K/A"), which we plan to file with the Securities and Exchange Commission within 120 days after December 31, 2024.

The information required by Item 405 regarding compliance with Section 16 (a) will be set forth under the caption "Delinquent Section 16(a) Reports" in the Company's 2024 Proxy Statement, and is incorporated herein by reference. Alternatively, this information will be included in an amendment to this Form 10-K on Form 10-K/A within 120 days of December 31, 2024.

Chief Executive Officer Employment Agreement

On December 10, 2024, announced that the Board of Directors of the Company (the "Board") had determined to appoint its interim Chief Executive Officer, Scott Maskin, as the permanent Chief Executive Officer ("CEO") of the Company, effective December 10, 2024. On May 23, 2024, Mr. Maskin was appointed and has served as the Interim CEO since May 17, 2024, and will remain a member of the Board.

In connection with his appointment as the permanent CEO, the Company and Mr. Maskin have entered into a written employment agreement (the "CEO Employment Agreement") for an initial three-year term, which provides for the following compensation terms for Mr. Maskin: the CEO will receive a base annual salary of $295,000 ("Base Salary"), and Mr. Maskin shall be eligible for the potential bonus of up to fifty percent of his Base Salary, the latter of which is discretionary based on goals established by the Company's Board and may be changed from time to time.

In addition, Mr. Maskin shall be entitled to participate in all employee benefit plans or programs offered by the Company to all its employees, subject to the eligibility requirements and terms of such plans or programs. Upon termination under the terms of the CEO Employment Agreement, Mr. Maskin shall be entitled to receive his Base Salary owed through the termination date, reimbursement of reasonable unpaid expenses incurred through such termination date.

The CEO Employment Agreement also provides for certain payments and benefits in the event of a termination of his employment under specific circumstances. If, during the term of the CEO Employment Agreement, his employment is terminated by the Company other than for "cause," death or disability or by Mr. Maskin for "good reason" (each as defined in his agreement), he would be entitled to (i) pay or provide the Employee the benefits itemized in the CEO Employment Agreement, subject to the his signing and not rescinding a release of claims in a form acceptable to the Company, and he strictly complies with the terms of the agreement and any other written agreement between Mr. Maskin and the Company or any of its affiliates as of the date any installments described therein is to be paid, the Company shall pay to the CEO as severance pay a total amount equal to one hundred percent of the annual Base Salary as of the date of termination.

Pursuant to his employment agreement, Mr. Maskin has also agreed to customary restrictions with respect to the disclosure and use of the Company's confidential information, and has agreed that work product or inventions developed or conceived by him while employed with the Company relating to its business is the Company's property. In addition, during the term of his employment and for the 12 month period following his termination of employment for any reason, Mr. Maskin has agreed not to, among other provisions, (1) perform services on behalf of a competing business which was the same or similar to the types services he was authorized, conducted, offered or provided to the Company, (2) solicit or induce any of the Company's employees or independent contractors to terminate their employment with the Company, or (3) solicit any actual or prospective customers with whom he had material contact on behalf of a competing business.

Chief Operating Officer Employment Agreement

On December 9, 2024, the Company and Mr. James Brennan entered into a written employment agreement in connection with Mr. Brennan's employment as Chief Operating Officer (the "COO Employment Agreement") for an initial three-year term, which provides for the following compensation terms: the COO will receive a base annual salary of $275,000 ("Base Salary"), and Mr. Brennan shall be eligible for the potential bonus of up to forty percent of his Base Salary, the latter of which is discretionary based on goals established by the Company's Board and may be changed from time to time.

In addition, Mr. Brennan shall be entitled to participate in all employee benefit plans or programs offered by the Company to all its employees, subject to the eligibility requirements and terms of such plans or programs. Upon termination under the terms of the COO Employment Agreement, Mr. Brennan shall be entitled to receive his Base Salary owed through the termination date, reimbursement of reasonable unpaid expenses incurred through such termination date.

The COO Employment Agreement also provides for certain payments and benefits in the event of a termination of his employment under specific circumstances. If, during the term of the COO Employment Agreement, his employment is terminated by the Company other than for “cause,” death or disability or by Mr. Brennan for “good reason” (each as defined in his agreement), he would be entitled to (i) pay or provide the Employee the benefits itemized in the COO Employment Agreement, subject to the his signing and not rescinding a release of claims in a form acceptable to the Company, and he strictly complies with the terms of the agreement and any other written agreement between Mr. Brennan and the Company or any of its affiliates as of the date any installments described therein is to be paid, the Company shall pay to the COO as severance pay a total amount equal to one hundred percent of the annual Base Salary as of the date of termination.

Pursuant to his employment agreement, Mr. Brennan has also agreed to customary restrictions with respect to the disclosure and use of the Company’s confidential information, and has agreed that work product or inventions developed or conceived by him while employed with the Company relating to its business is the Company’s property. In addition, during the term of his employment and for the 12 month period following his termination of employment for any reason, Mr. Brennan has agreed not to, among other provisions, (1) perform services on behalf of a competing business which was the same or similar to the types services he was authorized, conducted, offered or provided to the Company, (2) solicit or induce any of the Company’s employees or independent contractors to terminate their employment with the Company, or (3) solicit any actual or prospective customers with whom he had material contact on behalf of a competing business.

Code of Ethics and Business Conduct

We have adopted a Code of Ethics and Business Conduct (the “Code”) applicable to all of the Company’s officers, directors, employees, and consultants that establish guidelines for professional and ethical conduct in the workplace. The Code also contains a special set of guidelines applicable to the Company’s senior financial officers, including the chief executive officer, principal financial officer, principal accounting officer, and others involved in the preparation of the Company’s financial reports.

These guidelines are intended to promote the ethical handling of conflicts of interest, full and fair disclosure in periodic reports filed by the Company, and compliance with laws, rules and regulations concerning this periodic reporting. A copy of the Code is available on our website at https://ir.sunation.com/corporate-governance/governance-documents, and is also available, without charge, by writing to the Company’s Corporate Secretary at: SUNation Energy Inc., 171 Remington Blvd., Ronkonkoma, NY 11779.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is hereby incorporated by reference to the information to be included in the 2025 Proxy Statement or in the Form 10-K/A, which we plan to file with the Securities and Exchange Commission within 120 days after December 31, 2024.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is hereby incorporated by reference to the information to be included in the 2025 Proxy Statement or in the Form 10-K/A, which we plan to file with the Securities and Exchange Commission within 120 days after December 31, 2024.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is hereby incorporated by reference to the information to be included in the 2025 Proxy Statement or in the Form 10-K/A, which we plan to file with the Securities and Exchange Commission within 120 days after December 31, 2024.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is hereby incorporated by reference to the information to be included in the 2025 Proxy Statement or in the Form 10-K/A, which we plan to file with the Securities and Exchange Commission within 120 days after December 31, 2024.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) **Consolidated Financial Statements**

The following Consolidated Financial Statements of SUNation Energy, Inc. and subsidiaries appear at pages 45 to 88 herein:

- Report of Independent Registered Public Accounting Firm
- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2024 and 2023
- Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2024 and 2023
- Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2024 and 2023
- Consolidated Statements of Cash Flows for the years ended December 31, 2024 and 2023
- Notes to Consolidated Financial Statements

(a) (2)**Consolidated Financial Statement Schedules**
The schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

(a) (3)**Exhibits**

Regulation S-K Reference		Title of Document	Location
1.1		Form of Placement Agency Agreement, dated February 27, 2025, between the Company and Roth Capital Partners, LLC	Filed as Exhibit 1.1 to Form 8-K filed on February 27, 2025 and incorporated herein by reference.
2.1	#	Agreement and Plan of Merger, dated March 1, 2021, by and among Communications Systems, Inc., Helios Merger Co., Pineapple Energy LLC, Lake Street Solar LLC, and Randall D. Sampson	Filed as Exhibit 2.1 to the Form 8-K filed on March 3, 2021 and incorporated herein by reference.
2.2	#	Amendment No. 1 to Agreement and Plan of Merger dated December 16, 2021 by and among Communications Systems, Inc., Helios Merger Co., Pineapple Energy LLC, Lake Street Solar LLC, and Randall D. Sampson	Filed as Exhibit 2.1 to the Form 8-K filed on December 20, 2021 and incorporated herein by reference.

2.3	#	Transaction Agreement, dated November 9, 2022, by and among Pineapple Energy Inc., Solar Merger Sub, LLC, Scott Maskin, James Brennan, Scott Sousa, Brian Karp and Scott Maskin as representative of each seller, including the forms of the Plan of Merger, the Pledge and Security Agreement, the Short-Term Limited Recourse Secured Promissory Note and the Long-Term Promissory Note	Filed as Exhibit 2.1 to Form 8-K filed on November 10, 2022 and incorporated herein by reference.
3.1		Certificate of Incorporation of SUNation Energy, Inc.	Filed as Exhibit 3.1 to the Form 8-K filed on November 19, 2024 and incorporated herein by reference.
3.2		Bylaws SUNation Energy, Inc.	Filed as Exhibit 3.2 to the Form 8-K filed on November 19, 2024 and incorporated herein by reference.
3.3		Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock of Communications Systems, Inc. (n/k/a Pineapple Energy Inc.) filed on March 25, 2022	Filed as Exhibit 3.2 to Form 8-K filed on March 25, 2022 and incorporated herein by reference.
3.4		Certificate of Designation of Series B Preferred Stock, dated May 14, 2024	Filed as Exhibit 3.1 to Form 8-K filed on May 17, 2024 and incorporated herein by reference.
3.5		Statement of Cancellation of the Certificate of Designation of Series B Preferred Stock, effective as of August 14, 2024	Filed as Exhibit 3.7 to Form 10-Q filed on August 19, 2024 and incorporated herein by reference.
3.6		Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock	Filed as Exhibit 3.1 to Form 8-K filed on September 9, 2024 and incorporated herein by reference.

3.7	Certificate of Correction to Certificate of Designation	Filed as Exhibit 3.1 to Form 8-K filed on September 26, 2024 and incorporated herein by reference.
3.8	Certificate of Designation of Series D Preferred Stock	Filed as Exhibit 3.1 to Form 8-K filed on February 27, 2025 and incorporated herein by reference.
3.9	Amended Certificate of Incorporation of SUNation Energy, Inc.	Filed as Exhibit 3.1 to Form 8-K filed on April 3, 2025 and incorporated herein by reference.
4.1	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Filed herewith.
4.2	Form of Senior Indenture	Filed as Exhibit 4.4 to Registration Statement on Form S-3 filed August 25, 2022 and incorporated herein by reference.
4.3	Form of Subordinated Indenture	Filed as Exhibit 4.5 to Registration Statement on Form S-3 filed August 25, 2022 and incorporated herein by reference.
4.4	Form of Series A Warrant	Filed as Exhibit 4.1 to Form 8-K filed on February 27, 2025 and incorporated herein by reference.

4.5		Form of Series B Warrant	Filed as Exhibit 4.2 to Form 8-K filed on February 27, 2025 and incorporated herein by reference.
4.6		Form of Pre-Funded Warrant	Filed as Exhibit 4.3 to Form 8-K filed on February 27, 2025 and incorporated herein by reference.
10.1	*	Pineapple Energy Inc. 2022 Employee Stock Purchase Plan, as amended	Filed as Appendix B to the 2023 Annual Meeting of Shareholders on Schedule 14A filed on November 3, 2023 and incorporated herein by reference.
10.2		Amended and Restated Securities Purchase Agreement dated as of September 15, 2021, between Communications Systems, Inc. and the PIPE Investors	Filed as Exhibit 10.1 to the Form 8-K filed on September 15, 2021 and incorporated herein by reference.
10.3		Loan and Security Agreement dated as of December 11, 2020 by and between Pineapple Energy LLC as Borrower and Hercules Capital, Inc. as Lender and Agent.	Filed as Exhibit 10.14 to Registration Statement on Form S-4 filed on November 12, 2021 and incorporated herein by reference.
10.4	#	Amendment No. 1 to Asset Purchase Agreement dated December 16, 2021 by and among Hawaii Energy Connection, LLC and E-Gear, LLC as Seller, Steven P. Godmere as Seller Representative, Pineapple Energy LLC as Buyer.	Filed as Exhibit 10.18 to Registration Statement on Form S-4/A filed on January 26, 2022 and incorporated herein by reference.
10.5	#	Consent and Amendment to Loan and Security Agreement dated as of December 16, 2021 by and between Pineapple Energy LLC as Borrower and Hercules Capital, Inc. as Lender and Agent.	Filed as Exhibit 10.19 to Registration Statement on Form S-4/A filed on January 26, 2022 and incorporated herein by reference.

10.6	*	Form of Restricted Stock Unit Award Agreement under the 2022 Equity Incentive Plan	Filed as Exhibit 10.1 to Form 10-Q filed on November 14, 2022 and incorporated herein by reference.
10.7	*	Form of Performance Stock Unit Award Agreement under the 2022 Equity Incentive Plan	Filed as Exhibit 10.2 to Form 10-Q filed on November 14, 2022 and incorporated herein by reference.
10.8	*	Form of Incentive Stock Option Award Agreement under the 2022 Equity Incentive Plan	Filed as Exhibit 10.3 to Form 10-Q filed on November 14, 2022 and incorporated herein by reference.
10.9	*	Form of Non-Qualified Stock Option Award Agreement under the 2022 Equity Incentive Plan	Filed as Exhibit 10.4 to Form 10-Q filed on November 14, 2022 and incorporated herein by reference.
10.10	*	Restricted Stock Unit Award Agreement (Inducement Grant) between Eric Ingvaldson and Pineapple Energy Inc., dated as of October 11, 2022.	Filed as Exhibit 10.1 to Registration Statement on Form S-8 filed on October 11, 2022 and incorporated herein by reference.
10.11	*	Restricted Stock Unit Award Agreement (Inducement Grant) between Scott Maskin and Pineapple Energy Inc., dated as of November 15, 2022.	Filed as Exhibit 10.1 to Registration Statement on Form S-8 filed on November 15, 2022 and incorporated herein by reference.
10.12	*	Restricted Stock Unit Award Agreement (Inducement Grant) between James Brennan and Pineapple Energy Inc., dated as of November 15, 2022.	Filed as Exhibit 10.2 to Registration Statement on Form S-8 filed on November 15, 2022 and incorporated herein by reference.

10.13		Form of Consent, Waiver and Amendment among Pineapple Energy Inc. and each of its Series A Preferred Stock and warrant holders.	Filed as Exhibit 10.1 to Form 8-K filed on November 10, 2022 and incorporated herein by reference.
10.14	*	Employment Agreement, dated as of December 5, 2022, between Pineapple Energy Inc. and Kyle Udseth	Filed as Exhibit 10.3 to Form 8-K filed on December 9, 2022 and incorporated herein by reference.
10.15	*	Change in Control Agreement, dated as of December 5, 2022, between Pineapple Energy Inc. and Kyle Udseth	Filed as Exhibit 10.4 to Form 8-K filed on December 9, 2022 and incorporated herein by reference.
10.16	*	Employment Agreement, dated as of December 5, 2022, between Pineapple Energy Inc. and Eric Ingvaldson	Filed as Exhibit 10.5 to Form 8-K filed on December 9, 2022 and incorporated herein by reference.
10.17	*	Change in Control Agreement, dated as of December 5, 2022, between Pineapple Energy Inc. and Eric Ingvaldson	Filed as Exhibit 10.6 to Form 8-K filed on December 9, 2022 and incorporated herein by reference.
10.18		Contingent Value Rights Agreement dated March 25, 2022 by and among the Company, Equiniti Trust Company, as Rights Agent, and Richard A. Primuth in his capacity as the initial CVR Holders' Representative.	Filed as Exhibit 10.1 to Form 8-K filed on March 29, 2022 and incorporated herein by reference.
10.19		Pineapple Holdings, Inc. Warrant to Purchase Common Stock, Date of Issuance March 28, 2022.	Filed as Exhibit 10.6 to Form 8-K filed on March 29, 2022 and incorporated herein by reference.

10.20	*	Pineapple Energy Inc. 2022 Equity Incentive Plan, as amended through December 7, 2022.	Filed as Exhibit 10.2 to Form 8-K filed on December 9, 2022 and incorporated herein by reference.
10.21		Form of Stock Transfer Agreement dated as of January 24, 2022.	Filed as Exhibit 10.3 to Registration Statement on Form S-3 filed on February 22, 2022 and incorporated herein by reference.
10.22		Revenue Loan and Security Agreement dated as of June 1, 2023 by and among Pineapple Energy Inc., the Guarantors party thereto, and Decathlon Specialty Finance, LLC	Filed as Exhibit 10.1 to Form 8-K filed on June 6, 2023 and incorporated herein by reference.
10.23		Consent and Amendment No. 2 to Loan and Security Agreement dated as of May 31, 2023 by and between Pineapple Energy LLC as Borrower and Hercules Capital, Inc. as Lender and Agent	Filed as Exhibit 10.2 to Form 8-K filed on June 6, 2023 and incorporated herein by reference.
10.24		First Amendment to Contingent Value Rights Agreement, dated March 27, 2024, by and among the Company, Equiniti Trust Company, as Rights Agent, and Richard A. Primuth in his capacity as the initial CVR Holders' Representative.	Filed as Exhibit 10.46 to the Form 10-K filed on April 1, 2024 and incorporated herein by reference.
10.25		Form of Securities Purchase Agreement between Pineapple Energy, Inc. and each purchaser identified therein	Filed as Exhibit 10.1 to Form 8-K filed on February 5, 2024 and incorporated herein by reference.
10.26		Form of Waiver and Amendment	Filed as Exhibit 10.2 to Form 8-K filed on February 5, 2024 and incorporated herein by reference.

10.27		Subscription and Investment Representation Agreement, dated April 23, 2024, by and between Pineapple Energy Inc. and Lake Street Solar, LLC	Filed as Exhibit 10.1 to Form 8-K filed on May 17, 2024 and incorporated herein by reference.
10.28		Form of Limited Waiver and Amendment	Filed as Exhibit 10.1 to Form 8-K filed on May 22, 2024 and incorporated herein by reference.
10.29	*	Separation Agreement between Kyle Udseth and Pineapple Energy Inc. dated May 19, 2024	Filed as Exhibit 10.2 to Form 8-K filed on May 23, 2024 and incorporated herein by reference.
10.30	*	Pineapple Energy Inc. 2022 Equity Incentive Plan, as amended through July 19, 2024	Filed as Exhibit 10.1 to Form 8-K filed on July 25, 2024 and incorporated herein by reference.
10.31		Secured Credit Agreement, dated July 22, 2024, between Pineapple Energy Inc. and Conduit Capital U.S. Holdings LLC	Filed as Exhibit 10.1 to Form 8-K filed on July 26, 2024 and incorporated herein by reference.
10.32		Secured Credit Note, dated July 22, 2024, between Pineapple Energy Inc. and Conduit Capital U.S. Holdings, LLC	Filed as Exhibit 10.2 to Form 8-K filed on July 26, 2024 and incorporated herein by reference.
10.33		Security Agreement, dated July 22, 2024, between Pineapple Energy Inc. and Conduit Capital U.S. Holdings, LLC	Filed as Exhibit 10.3 to Form 8-K filed on July 26, 2024 and incorporated herein by reference.

10.34	Secured Credit Agreement, dated July 22, 2024, between Pineapple Energy Inc. and MBB Energy, LLC	Filed as Exhibit 10.4 to Form 8-K filed on July 26, 2024 and incorporated herein by reference.
10.35	Secured Credit Note, dated July 22, 2024, between Pineapple Energy Inc. and MBB Energy, LLC. Security	Filed as Exhibit 10.5 to Form 8-K filed on July 26, 2024 and incorporated herein by reference.
10.36	Security Agreement, dated July 22, 2024, between Pineapple Energy Inc. and MBB Energy, LLC	Filed as Exhibit 10.6 to Form 8-K filed on July 26, 2024 and incorporated herein by reference.
10.37	First Amendment to Revenue Loan and Security Agreement, dated July 22, 2024, by and among Pineapple Energy Inc., the Guarantors party thereto, and Decathlon Specialty Finance LLC	Filed as Exhibit 10.7 to Form 8-K filed on July 26, 2024 and incorporated herein by reference.
10.38	Amendment and Joinder to Subordination Agreement, dated July 22, 2024 among Pineapple Energy Inc., Decathlon Growth Credit, LLC, Hercules Capital, Inc., and MBB Energy, LLC and Conduit Capital U.S. Holdings, LLC	Filed as Exhibit 10.8 to Form 8-K filed on July 26, 2024 and incorporated herein by reference.
10.39	Consent and Amendment No. 3 to Loan and Security Agreement, dated July 22, 2024 by and among Pineapple Energy LLC, Pineapple Energy Inc. and each other person that has delivered a Joinder Agreement	Filed as Exhibit 10.9 to Form 8-K filed on July 26, 2024 and incorporated herein by reference.
10.40	Offer Letter dated August 28, 2024, between Pineapple Energy Inc. and Andrew Childs	Filed as Exhibit 10.1 to Form 8-K filed on September 4, 2024 and incorporated herein by reference.

10.41	Amended and Restated Convertible Secured Credit Note, dated September 9, 2024, between Pineapple Energy Inc. and Conduit Capital U.S. Holdings, LLC	Filed as Exhibit 10.2 to Form 8-K filed on September 9, 2024 and incorporated herein by reference.
10.42	Form of Securities Exchange Agreement between Pineapple Energy, Inc. and the holder signatory hereto	Filed as Exhibit 10.3 to Form 8-K filed on September 9, 2024 and incorporated herein by reference.
10.43	Second Amended and Restated Convertible Secured Credit Note, dated September 23, 2024, between Pineapple Energy Inc. and Conduit Capital U.S. Holdings, LLC	Filed as Exhibit 10.2 to Form 8-K filed on September 26, 2024 and incorporated herein by reference.
10.44	At The Market Offering Agreement dated as of October 21, 2024, between Pineapple Energy Inc. and Roth Capital Partners, LLC	Filed as Exhibit 10.1 to Form 8-K filed on October 21, 2024 and incorporated herein by reference.
10.45	Second Amendment to Revenue Loan and Security Agreement, dated September 12, 2024, by and among Pineapple Energy Inc., the Guarantors party thereto, and Decathlon Specialty Finance LLC	Filed as Exhibit 10.15 to Form 10-Q filed on November 14, 2024 and incorporated herein by reference.
10.46	Consent and Amendment No. 4 to Loan and Security Agreement, dated September 20, 2024, by and among Pineapple Energy LLC, Pineapple Energy Inc. and each other person that has delivered a Joinder Agreement	Filed as Exhibit 10.16 to Form 10-Q filed on November 14, 2024 and incorporated herein by reference.
10.47	Amendment to Secured Credit Note, dated November 1, 2024, between Pineapple Energy Inc. and MBB Energy, LLC	Filed as Exhibit 10.19 to Form 10-Q filed on November 14, 2024 and incorporated herein by reference.

10.48		Amendment to Second Amended and Restated Convertible Secured Credit Note; and to the Credit Agreement, dated November 1, 2024, between Pineapple Energy Inc. and Conduit Capital U.S. Holdings LLC	Filed as Exhibit 10.20 to Form 10-Q filed on November 14, 2024 and incorporated herein by reference.
10.49	*	Employment Agreement, dated December 9, 2024, between SUNation Energy Inc. and Scott Maskin	Filed as Exhibit 10.1 to Form 8-K filed on December 13, 2024 and incorporated herein by reference.
10.50	*	Employment Agreement, dated December 9, 2024, between SUNation Energy, Inc. and Jim Brennan	Filed as Exhibit 10.2 to Form 8-K filed on December 13, 2024 and incorporated herein by reference.
10.51		Second Amendment to Contingent Value Rights Agreement dated March 25, 2022 by and among the Company, Equiniti Trust Company, as Rights Agent, and Richard A. Primuth in his capacity as the initial CVR Holders' Representative, dated December 30, 2024	Filed as Exhibit 10.1 to Form 8-K filed on January 7, 2025 and incorporated herein by reference.
10.52		Form of Securities Purchase Agreement, dated February 27, 2025, between the Company and purchasers identified therein	Filed as Exhibit 10.1 to Form 8-K filed on February 27, 2025 and incorporated herein by reference.
10.53		Amended and Restated Long-Term Senior Secured Promissory Note, dated April 10, 2025, between SUNation Energy, Inc. and both Scott Maskin and James Brennan	Filed herewith.

10.54	Pledge and Security Agreement, dated April 10, 2025, by and between SUNation Energy, Inc. and Scott Maskin and James Brennan	Filed herewith.
10.55	Senior Secured Contingent Note, dated April 10, 2025, between SUNation Energy, Inc. and both Scott Maskin and James Brennan	Filed herewith.
10.56	Subordination and Intercreditor Agreement among SUNation Energy, Inc., Scott Maskin and James Brennan	Filed herewith.
21	Subsidiaries of the Registrant	Filed herewith.
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith.
24	Power of Attorney	Included on the signature page.
31.1	Certification of Chief Executive Officer	Filed herewith.
31.2	Certification of Chief Financial Officer	Filed herewith.

32	Certification under USC § 1350	Filed herewith.
97	Pineapple Energy Inc. Compensation Recovery Policy	Filed as Exhibit 97 to Form 10-K filed on April 1, 2024 and incorporated herein by reference.
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)	

Certain of the exhibits and schedules to this exhibit have been omitted in accordance with Regulation S-K Item 601. SUNation Energy agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

*Indicates management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUNation Energy, Inc.
By /s/ Scott Maskin
Scott Maskin
Chief Executive Officer

Date: April 15, 2025

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated:

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Scott Maskin and James Brennan as their true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for them and in their name, place and stead, in any and all capacities, to sign any or all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents, each acting alone, or their substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Signature	Title	Date
/s/ Scott Maskin Scott Maskin	Chief Executive Officer (Principal Executive Officer), Director	April 15, 2024
/s/ James Brennan James Brennan	Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)	April 15, 2025
/s/ Kristin A. Hlavka Kristin A. Hlavka	Chief Accounting Officer (Principal Accounting Officer)	April 15, 2025
/s/ Spring Hollis Spring Hollis	Director	April 15, 2025
/s/ Henry B. Howard Henry B. Howard	Director	April 15, 2025
/s/ Roger H.D. Lacey Roger H.D. Lacey	Director	April 15, 2025
/s/ Kevin O’Connor Kevin O’Connor	Director	April 15, 2025

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934 (as updated, April 11, 2025)

SUNation Energy, Inc. ("SUNE," "we," "our," "us," or the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock.

DESCRIPTION OF COMMON STOCK

The following summary of the general terms and provisions of our common stock does not purport to be complete and is based upon and qualified by reference to our certificate of incorporation and bylaws, which are incorporated by reference into our Annual Report on Form 10-K. We encourage you to read our certificate of incorporation, as amended, our bylaws and the applicable provisions of the Delaware General Corporation Law, or DGCL, for additional information.

Authorized Shares of Capital Stock

As of the date hereof, our authorized shares of capital stock is 1,000,000,000 shares of common stock, par value $0.05 per share, and 3,000,000 shares of preferred stock, $1.00 par value per share. We currently have no shares of preferred stock issued or outstanding

As of April 11, 2025, we had 646,282,496 shares of common stock issued and outstanding.

Common Stock

Holders of our common stock are entitled to one vote for each share held of record on all matters voted upon by our stockholders and do not have cumulative voting rights. All matters including the election of directors will be determined by a majority of the votes cast in person or represented by proxy, except to the minimum extent otherwise required by the DGCL. However, except as otherwise required by law, holders of common stock are not entitled to vote on any amendment to our certificate of incorporation that that relates solely to the terms of our preferred stock if the holders of the preferred stock are entitled to vote separately thereon by law or pursuant to our certificate of incorporation or designation, as the case may be.

Except as otherwise provided by the DGCL or our certificate of incorporation and subject to the rights of holders of any series of preferred stock, holders of our common stock are entitled to receive dividends declared by our board of directors out of funds legally available for the payment of dividends. In the event of any liquidation, dissolution or winding-up of our affairs, holders of common stock will be entitled to share ratably in our assets that are remaining after payment of all liabilities and liquidation preference on any outstanding preferred stock.

Our certificate of incorporation does not entitle holders of our common stock to preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock.

All outstanding shares of our common stock are fully paid and nonassessable.

The transfer agent and registrar for our common stock is Equiniti Trust Company, 1110 Centre Pointe Curve, Suite 101, South St. Paul, Minnesota 55120-4100.

Our common stock is currently listed on The Nasdaq Stock Market LLC under the trading symbol "SUNE."

Authorized but Unissued Preferred Stock

Unless required by law or by any stock exchange on which our common stock may be listed, the authorized shares of preferred stock will be available for issuance without further action by our stockholders. Delaware law does not require stockholder approval for any issuance of authorized shares. However, under applicable Nasdaq Listing Rules, a company must not, subject to specified exceptions, without the approval of its stockholders, issue or agree to issue, any equity securities, or other securities with rights to convert into equity at a price that is less than the Minimum Price (as defined in Nasdaq Rule 5636(d)(1)) if the number of those securities exceeds 19.99% of the number of shares issued and outstanding at the commencement of such offering.

Our certificate of incorporation authorizes our board of directors to provide, out of the unissued shares of preferred stock, for one or more series of preferred stock and, with respect to each such series, to fix the number of shares constituting such series and the designation of such series, the voting powers, if any, of the shares of such series, and the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series.

The existence of unissued and unreserved common stock or preferred stock may enable our board of directors to issue shares to persons friendly to current management, which could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and could thereby protect the continuity of our management and possibly deprive stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Anti-Takeover Effects of Delaware Law, the certificate of incorporation and the bylaws

Certain provisions of Delaware law, our certificate of incorporation and our bylaws could make the acquisition of our company more difficult and could delay, defer or prevent a tender offer or other takeover attempt that a stockholder might consider to be in its best interest, including takeover attempts that might result in the payment of a premium to stockholders over the market price for their shares. These provisions also may promote the continuity of our management by making it more difficult for a person to remove or change the incumbent members of our board of directors.

Authorized but Unissued Shares. The authorized but unissued shares of our common stock and preferred stock are available for future issuance without stockholder approval except as required by law or by any stock exchange on which our common stock may be listed. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock or preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

Board Classification. Our certificate of incorporation provides that our board of directors is divided into three classes of directors, with the classes to be as nearly equal in number as possible, and with the directors serving three-year terms. As a result, approximately one-third of our board of directors is elected each year. The classification of directors has the effect of making it more difficult for stockholders to change the composition of our board of directors.

No Cumulative Voting. Holders of our common stock do not have cumulative voting rights in the election of directors.

Special Meetings of Stockholders. Our bylaws provide that a special meeting of stockholders may be called at any time only by our board of directors or our CEO together with our COO or CFO.

Stockholder Action by Written Consent. Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our certificate of incorporation provides otherwise. Our bylaws preclude stockholder action by written consent.

Advance Notice Requirements for Stockholder Proposals and Nomination of Directors. Our bylaws require stockholders seeking to bring business before an annual meeting of stockholders, or to nominate individuals for election as directors at an annual or special meeting of stockholders, to provide timely notice in writing. To be timely, a stockholder's notice must be delivered to and received by the secretary at our principal executive offices not later than the close of business on the 90th day nor earlier than the close of business on the 120th day, prior to the anniversary of the preceding year's annual meeting. However, in the event no annual meeting was held in the previous year or the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first. Our bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our meetings of stockholders. These provisions may also discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the potential acquiror's own slate of directors or otherwise attempting to obtain control of our company.

Removal of Directors; Vacancies. Under the DGCL, unless otherwise provided in the certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our certificate of incorporation provides that directors may only be removed from office only for cause by the affirmative vote of at least a majority of the total voting power of the outstanding shares of the capital stock of our company entitled to vote in any annual election of directors or class of directors, voting together as a single class. In addition, our certificate of incorporation provides that any newly created directorships resulting from an increase in the number of directors and any vacancies on our board of directors resulting from death, resignation, retirement, disqualification, removal or other cause will be filled exclusively by a majority vote of the directors then in office, even if less than a quorum, or by a sole remaining director, and not by stockholders.

Supermajority Provisions. Our certificate of incorporation and bylaws provides that our board of directors is expressly authorized to adopt, amend or repeal our bylaws without a stockholder vote through the affirmative vote of at least a majority of the board of directors. In addition, our bylaws may be adopted, amended or repealed by a majority of the stockholders in attendance at any meeting of stockholders that has been duly called for such purpose

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote thereon, voting together as a single class, is required to amend a corporation's certificate of incorporation, provided, however that certain actions in this regard may require a greater or lesser percentage of the voting shareholders as described in Section 242 of the DGCL.

Shareholder Meetings

No action that is required or permitted to be taken by our stockholders may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied. A special meeting of stockholders may be called at any time only by our board of directors or our CEO together with our COO or CFO for any purpose or purposes prescribed in a notice of such special meeting.

Quorum

Unless otherwise required by law or our certificate of incorporation, at any meeting of stockholders, one-third of our outstanding stock exclusive of treasury stock shall constitute a quorum at meetings of the stockholders.

Exclusive Jurisdiction of Certain Actions

Our bylaws provide that the sole and exclusive venues for (i) any derivative action or proceeding brought on behalf of our company, (ii) any action asserting a claim of breach of a fiduciary duty or other duty owed to our company by any director, officer, stockholder, employee or agent, and (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our certificate of incorporation, or our bylaws (as each of same may be amended from time to time) will be the Delaware Court of Chancery and the federal and state courts located in the City, County and State of New York, and the respective procedural laws of such courts shall govern all such actions and proceedings. In addition, our bylaws provide that the sole and exclusive venue for any action or proceeding arising out of or relating to the securities laws of the United States including without limitation the Securities Act of 1933, the Securities Exchange Act of 1934 and/or the securities laws of any state or other jurisdiction will be the federal courts located in the City, County and State of New York, and the procedural laws of such courts shall govern all such actions and proceedings.

Exhibit 10.53

EXECUTION COPY

AMENDED AND RESTATED LONG-TERM SENIOR SECURED PROMISSORY NOTE

$5,605,435.52

April 10, 2025,
Effective as of April 1, 2025
Ronkonkoma, New York

FOR VALUE RECEIVED, SUNation Energy, Inc. (f/k/a Pineapple Energy Inc.), a Delaware corporation ("**Maker**"), hereby promises to pay to the order of Scott Maskin, a resident of the State of New York ("**Maskin**"), and James Brennan, a resident of the State of Florida ("**Brennan**" and, together with Maskin, the "**Holders**"), at such place as Holders may, from time to time, specify in writing, the principal sum of Five Million Six Hundred Five Thousand Four Hundred Thirty-Five Dollars and Fifty-Two Cents ($5,605,435.52) in the aggregate, payable to each Holder pursuant to their Pro Rata Share as set forth on Exhibit A hereto (the "**Loan Amount**"), as provided under the terms of this promissory note (this "**Note**").

This Note is the "Long-Term Note" referred to in that certain Transaction Agreement, dated as of November 9, 2022 (the "**Purchase Agreement**"), by and among Maker, Holders, and the other parties named therein. Capitalized terms used herein and not defined shall have the meaning given to such terms in the Purchase Agreement.

This Note amends and restates and is given in substitution for, but not in satisfaction of, that certain Long-Term Promissory Note due November 9, 2025, dated November 9, 2022, issued by Maker in favor of Holders in the original principal amount of $5,486,000.00 (the "**Existing Note**"). All amounts owing by Maker in respect of the Existing Note shall continue to be owing by Maker hereunder and shall be evidenced by this Note.

1. Definitions

(a) "**Collateral**" shall have the meaning set forth in the Pledge Agreement.

(b) "**Contingent Note**" means that certain senior secured contingent note in an aggregate principal amount of up to $2,500,000, dated the date hereof, from Maker to Holders, contingent upon an increase in the EBITDA (as defined therein) of the Acquired Companies from the 2024 fiscal year to the 2025 fiscal year.

(c) "**Indebtedness**" means (a) all obligations for debt and any other obligation for borrowed money, including principal and accrued and unpaid interest thereon; (b) any obligations under capital leases and purchase money obligations; (c) any amounts owed with respect to drawn letters of credit; (d) all obligations to pay the deferred purchase price of property or services; (e) net obligations under any swap or hedge contracts; (f) obligations under synthetic or off-balance sheet transactions, in each case creating obligations that are not otherwise included in the definition of "Indebtedness" or as a liability on the balance sheet of such person in accordance with Generally Accepted Accounting Principles ("GAAP"); and (g) any guarantees of obligations of the type described in clauses (a) through (f) above.

(d) "**Lien**" means any lien, encumbrance, easement, encroachment, right of first refusal, adverse claim or restriction of any kind, security, charge, mortgage, option, pledge or restriction on transfer.

(e) "**Person**" means any individual, corporation, partnership (general or limited), association, limited liability company, trust, estate or other entity.

(f) "**Pledge Agreement**" means that certain Pledge and Security Agreement, dated as of the date hereof, by and among Maker, Holders and the other parties thereto.

2. Payments of Interest and Principal.

(a) Interest. The outstanding Loan Amount shall accrue interest at an annual rate of eight percent (8%) until the Note is paid in full, whether at maturity, upon acceleration, by prepayment, or otherwise. All computations of interest shall be payable in arrears based on a 360-day year and payable on the actual number of days elapsed in any whole or partial year.

(b) Interest Payments. Interest accrued under this Note shall be payable monthly in accordance with the schedule set forth on Annex A attached hereto.

(c) Maturity; Installment Payments. The entire unpaid principal balance of this Note, together with all accrued and unpaid interest owing hereunder, shall be due and payable on May 1, 2028 (the "**Maturity Date**"). Principal payments shall be payable monthly on the first day of each month commencing with June 1, 2025 in the amounts specified on Annex A attached hereto for such payment date.

3. Optional Prepayment. Maker shall have the right, at any time and from time to time, to prepay all or any portion of the Note, which, for the avoidance of doubt, will include principal and interest accrued up to the date of prepayment on the principal amount repaid, without penalty or premium.

4. Acceleration. Subject to the terms herein, the full outstanding principal balance under this Note shall become immediately due and payable to Holder upon the occurrence of an Event of Default (as herein defined). Further, the full outstanding principal balance and all accrued interest under this Note shall become immediately due and payable to Holder upon Maker closing on a raise of capital (whether debt or equity) from a securities offering (or series of securities offerings for debt or equity) on or after April 15, 2025, provided that such capital raise is for more than $20,000,000. To the extent Maker raises capital (whether debt or equity) from a securities offering (or series of securities offerings) on or after April 15, 2025 in a sum less than $20,000,000, within 10 Business Days after receipt of such capital, Maker shall prepay this Note, without penalty or premium, (i) in the aggregate principal amount of $2,500,000 if the capital raised is equal to or in excess of $10,000,000 but less than $15,000,000, or (ii) in the aggregate principal amount of $5,000,000 if the capital raised is equal to or in excess of $15,000,000 but less than $20,000,000.

5. Events of Default. Each of the following will constitute an event of default ("**Event of Default**") under this Note:

(a) Failure by Maker to pay any amounts under this Note when due and such failure continues uncured for a period of three (3) business days following such due date.

(b) Maker’s (i) admission in writing of its inability to pay its obligations as they become due; (ii) assignment for the benefit of its creditors; or (iii) application for, consent to, or acquiescence in, the appointment of a trustee, receiver of other custodian for Maker, which appointment is not discharged within ninety (90) days.

(c) Commencement of any case under Title 11 of the United States Code or any other bankruptcy, reorganization, receivership, custodianship or similar or analogous proceeding under any state, federal or foreign law by or against Maker and, with respect to any such case or proceeding that is involuntary, such case or proceeding is not dismissed within ninety (90) days of the filing thereof.

(d) Any Person or group of Persons acting in concert (other than, for the avoidance of doubt, members of the board of directors or executive team of Maker on the date hereof) gains control of Maker, where “control” means the power to direct the management and policies of an entity, whether through the ownership of voting capital, by contract or otherwise.

(e) Failure by Maker to pay any amounts under the Contingent Note when due and such failure continues uncured for a period of three (3) business days following such due date.

6. **Tax Matters**. Each Holder is responsible for payment of all taxes (including any interest and penalties) legally imposed upon such Holder in connection with this Note, and the Company shall not have any liability to any Holder or any other party with respect to any such tax or amount.

7. **Negative Covenants**. Until payment in full of the principal amount of this Note and all accrued interest thereon, Maker hereby covenants and agrees as follows, unless otherwise agreed to in writing by Holders:

(a) Not to sell, lease, transfer, convey or otherwise dispose of any or all of the assets of the Acquired Companies (as defined in the Purchase Agreement) or Collateral (as defined in the Pledge Agreement), except for (i) dispositions of inventory in the ordinary course of business, (ii) payments of accounts payable and debt servicing, as such payments become due in the ordinary course of business, and (iii) any action otherwise expressly permitted by clauses (b) through (g) of this Section.

(b) Not to incur, create or permit to exist any lien on any of the property or assets of the Acquired Companies, whether now owned or hereafter acquired, except for those liens in favor of Holders created by this Note and the Pledge Agreement, Permitted Liens (as defined in the Purchase Agreement) or the Liens existing on the date hereof.

(c) Not to permit any of the Acquired Companies to incur, create, assume or permit to exist any Indebtedness for borrowed money, except Indebtedness existing on the date hereof and obligations arising under the Purchase Agreement.

(d) Not to permit any of the Acquired Companies to make any loans to any Person, other than advances to employees of the Acquired Companies in the ordinary course of business consistent with past practice, with outstanding advances to any employee not to exceed $5,000 at any time, except for any such loans outstanding on the date hereof.

(e) Not to permit any of the Acquired Companies to assume, guaranty, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any person, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business and such guaranties existing on the date hereof.

(f) Not to permit any of the Acquired Companies to make any distributions or payments of cash or other property other than (i) distributions or payments made in the ordinary course of business and consistent with past practice or (ii) distributions made for the express purposes of repaying or prepaying amounts owing under this Note.

(g) Not to permit any of the Acquired Companies to compromise, settle or adjust any claims in any amount relating to any of the Collateral without the prior written consent of Holders.

8. **Waivers**. Maker hereby: (a) waives presentment for payment, demand, notice of demand, notice of non-payment or dishonor, protest and notice of protest of this Note, and all other notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note and (b) agrees that Holders shall not be required first to institute any suit, or to exhaust its remedies against the undersigned or any other person or party to become liable hereunder or against the security in order to enforce the payment of this Note.

9. **Failure or Indulgence Not Waiver**. No delay by any Holder in exercising any power or right hereunder shall operate as a waiver of any power or right, nor shall any single or partial exercise of any power or right preclude any or further exercise thereof, or the exercise of any other power or right hereunder or otherwise. No waiver whatsoever of the terms hereof shall be valid unless in writing signed by the Holders and only to the extent therein set forth. A waiver on one event shall not be construed as continuing or as a bar to or waiver of any right or remedy to a subsequent event.

10. **Maker's Certifications.** Maker certifies that this Note complies with its bylaws, and neither Scott Maskin nor James Brennan participated in the vote of the board of directors to approve this Note. Maker further certifies that the Revenue Loan and Security Agreement dated June 1, 2023 by and between, amongst others, Maker and Decathlon Specialty Finance, LLC, has been terminated and is no longer valid.

11. **Miscellaneous Provisions.**

(a) Successors and Assigns. This Note will be binding upon and inure to the benefit of Maker, Holders, and their respective successors, assigns, executors, heirs, devisees and beneficiaries; provided, however, Maker shall not assign this Note without the prior consent of Holders, and no Holder shall assign this Note without the prior consent of Maker.

(b) Modification. This Note may not be modified except in writing signed by Maker and Holders. Any modifications made in compliance with this Section 11(b) shall be binding on Maker and all Holders.

(c) Applicable Law. This Note shall be construed in accordance with the laws of the State of New York, notwithstanding any jurisdiction's choice-of-law rules to the contrary. Any action brought to enforce or construe this Note shall be brought in the federal or state courts located in Suffolk County, New York.

(d) Severability. If at any time any provision of this Note is or becomes illegal, invalid or unenforceable in any respect, the legality, validity and enforceability of the remaining provisions of this Note will not be affected and such remaining provisions will remain in full force and effect.

(e) Secured Obligations. Maker's obligations under this Note are secured by the terms of Pledge Agreement.

(f) Costs. Maker shall pay and, if paid by Holders, reimburse Holders for the reasonable costs and expenses incurred in exercising Holders' rights under this Note. A reference to costs and expenses in this Note includes, without limitation, reasonable and documented legal costs and expenses.

(g) Notices. All notices, consents, waivers and other communications under this Note must be in writing and will be deemed to have been duly given when given in accordance with the terms of the Purchase Agreement.

(h) Force Majeure. Except as otherwise set forth in this Agreement, this Agreement and the obligations of the parties hereunder shall toll if such party is prevented or delayed from performance by reason of any cause beyond the reasonable control of such party including, but not limited to, acts of war, emergency, terrorism, bioterrorism, governmental preemption in connection with a National Emergency, disease (including, without limitation, delays arising out of the spread of COVID-19, such as, without limitation, delays in the responsiveness of, or the unavailability of, governmental authorities to grant permit applications or signoffs or to perform inspections, or the unavailability of required meetings of governmental agencies necessary to act to grant any Approvals) or by reason of any rule, order or regulation of any department or subdivision thereof of any government agency or by reason of the conditions of supply and demand which have been or are affected by war or other emergency (collectively, "**Force Majeure**"). This includes the inability to initiate a wire transfer due to impact to a bank's infrastructure or ability to connect to the Federal Reserve to process wire transfers. This also is intended to include, but not be limited to, delays by a financial institution caused by the performance of its responsibilities related to requirements set out by the Office of Foreign Assets Control (OFAC).

(i) Payment Best Practices: Payments shall be made by wire transfer unless otherwise agreed to 10 business days in advance of payment due date. Holders shall provide Maker with wire instructions, through a secure method agreed to by Maker, at least **7 business days in advance of a payment date** so as to provide Maker with ample time to verify wire instructions and initiate the payment. Any failure of a Holder (including any and all assignees) to provide Maker such instructions shall toll any time periods for determination of default and shall cause no incremental interest to be due for the affected payment and interest due on future payments shall accrue as if the principal balance of the note was reduced on the original due date of the affected payment. Maker, after failure to timely receive payment information, and at its sole discretion, may elect to make the payment by check payable to such Holder (including any and all assignees) at such Holder's (including any and all assignees) physical address. Nothing herein shall otherwise alter any default by Maker.

[Signature Page Follows]

IN WITNESS WHEREOF, Maker has executed this Note as of the date first written above.

SUNATION ENERGY, INC., a Delaware corporation

By: /s/ Roger Lacey
Name: Roger Lacey
Title: Chairman

Agreed and accepted by Holders:

Scott Maskin

/s/ Scott Maskin

James Brennan

/s/ James Brennan

EXHIBIT A PRO RATA SHARE

Holders		Pro Rata Share
Maskin		81.82%
Brennan		18.18%
	Total:	100.00%

ANNEX A

Interest and Installment Payment Schedule

EXECUTION COPY

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT dated as of April 10, 2025 (the "Pledge Agreement") is made by SUNATION ENERGY, INC. (f/k/a Pineapple Energy Inc.), a Delaware corporation ("Pledgor"), in favor of Scott Maskin, a resident of the State of New York ("Maskin"), and James Brennan, a resident of the State of Florida ("Brennan" and, together with Maskin, collectively, the "Secured Parties") and Scott Maskin, in his capacity of Seller Representative.

RECITALS:

A. Pledgor is a party to that certain Transaction Agreement, dated as of November 9, 2022 with, among others, the Secured Parties (the "Transaction Agreement"), pursuant to which Pledgor previously issued to the Secured Parties an unsecured promissory note in the aggregate principal amount of $5,486,000 (the "Initial Long-Term Note") in consideration for the sale by the Secured Parties to the Pledgor of their capital stock in the Acquired Companies (as defined therein).

B. As part of a broader refinancing and in consideration of the Senior Creditors' willingness to waive certain Events of Default thereunder, Pledgor has agreed to amend and restate the Initial Long-Term Note on the date hereof to, among other things, secure its obligations thereunder (as so amended and restated, and in substantially the same form as attached hereto as Exhibit A, the "Secured Promissory Note") for the benefit of the Secured Parties.

C. Secured Parties have conditioned their willingness to amend and restate the Initial Long-Term Note to reflect the terms of the Secured Promissory Note upon the fulfillment of certain conditions, among them that Pledgor enter into this Pledge Agreement to secure Pledgor's obligations to Secured Parties under the Secured Promissory Note. To induce Secured Parties to enter into the Secured Promissory Note, Pledgor has agreed to execute and deliver this Pledge Agreement and to grant Secured Parties a first priority and perfected security interest in and lien on the Collateral (defined below) as security for Pledgor's obligations under the Secured Promissory Note, in accordance with the terms and provisions hereof.

Accordingly, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the existence, receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Definitions. As used in this Pledge Agreement, the following capitalized terms shall have the meanings respectively assigned to them below, which meanings shall be applicable equally to the singular and plural forms of the terms so defined:

"Contingent Note" shall mean that certain Senior Secured Contingent Note Instrument, dated of the date hereof, from Pledgor to the Secured Parties, in substantially the same form as attached hereto as Exhibit B.

"Excluded Assets" shall mean those funds set aside by Pledgor for the express purpose of paying deductibles and premiums for directors and officers insurance policies. For the avoidance of doubt, the $1,150,000 balance and any earnings thereupon currently held in that certain UBS account, with account number CP 49028, are Excluded Assets. In the event such $1,150,000 balance in the UBS account shall be subsequently transferred to one or more other bank accounts, the balance(s) in any such subsequent bank accounts shall remain Excluded Assets.

“Pledged Securities” shall mean the Shares (as such term is defined in the Transaction Agreement) of the Acquired Companies owned by Pledgor.

“Securities Act” shall mean the Securities Act of 1933, as amended, and as the same may be supplemented, modified, amended or restated from time to time, and the rules and regulations promulgated thereunder, or any corresponding or succeeding provisions of applicable law.

“Senior Notes” means the Secured Promissory Note and the Contingent Note.

“UCC” shall mean the Uniform Commercial Code as in effect from time to time in the state of New York except as such term may be used in connection with the perfection of the Collateral and then the applicable jurisdiction with respect to such affected Collateral shall apply.

“Vehicles” shall mean all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title under the laws of any state, all tires and all other appurtenances to any of the foregoing.

The following terms shall have the meanings set forth in the UCC (defined below): Accession, Account, Account Debtor, Adverse Claim, As-Extracted Collateral, Certificated Security, Chattel Paper, Commercial Tort Claim, Consumer Goods, Deposit Account, Document, Electronic Chattel Paper, Equipment, Farm Products, Financial Asset, fixtures, General Intangible, Goods, Instrument, Inventory, Investment Company Security, Investment Property, Letter-of-Credit Right, Manufactured Home, Payment Intangible, Proceeds, Securities Account, Securities Intermediary, Security, Security Entitlement, Software, Supporting Obligation and Tangible Chattel Paper. Capitalized terms not otherwise defined herein have the meanings set forth in Secured Promissory Note.

Section 2. Obligations. This Pledge Agreement is made and given to secure, and shall secure, the prompt payment and performance when due of (a) the obligations and liabilities of Pledgor under the Secured Promissory Note, (b) the obligations and liabilities of Pledgor under the Contingent Note, and (c) any and all reasonable costs, expenses and charges, legal or otherwise (including reasonable attorneys’ fees and disbursements of attorneys for the Secured Parties suffered or incurred by the Pledgor in collecting or enforcing any of such indebtedness, obligations and liabilities or in realizing on or protecting or preserving any security therefor, including, without limitation, the first-priority, senior secured lien and security interest granted hereby in each case whether now existing or hereafter arising (and whether arising before or after the filing of a petition in bankruptcy and including all interest accrued after the petition date), due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired (all such indebtedness, obligations, liabilities, costs, expenses and charges (including reasonable attorneys’ fees and disbursements) described above being hereinafter collectively referred to as the “Obligations”).

Section 3. Pledge and Grant of Security Interest. As security for the prompt payment and performance in full when due, whether by lapse of time, acceleration, mandatory prepayment or otherwise, of all of the Obligations in accordance with their terms, Pledgor hereby pledges and grants to Secured Parties a continuing security interest in, and a right to set off against, any and all right, title and interest of the Pledgor in and to all of the following, whether now owned or existing or owned, acquired, or arising hereafter (collectively, the “Collateral”): (a) all Accounts;(b) all cash, currency and cash equivalents; (c) all Chattel Paper (including Electronic Chattel Paper and Tangible Chattel Paper); (d) all Commercial Tort Claims; (e) all Deposit Accounts; (f) all Documents; (g) all Equipment; (h) all fixtures; (i) all General Intangibles; (j) all Goods; (k) all Instruments; (l) all intellectual property; (m) all Inventory; (n) all Investment Property; (o) all Letter-of-Credit Rights; (p) all Payment Intangibles; (q) all Pledged Securities; (r) all Securities Accounts; (s) all Software; (t) all Supporting Obligations; (u) all Vehicles; (v) all books and records pertaining to the Collateral; (w) all Accessions and all Proceeds and products of any and all of the foregoing and (x) all other personal property of any kind or type whatsoever now or hereafter owned by the Pledgor or as to which the Pledgor now or hereafter has the power to transfer interest therein, except for the Excluded Assets. All Pledged Securities included in the Collateral shall, to the extent represented by certificates, upon delivery thereof to the Seller Representative, be accompanied by undated stock powers duly executed in blank or by other instruments or documents of transfer, possession or control satisfactory to the Seller Representative and by such other instruments and documents as Secured Parties may request. All Collateral shall be delivered to and held by Secured Parties and disposed of in accordance with the terms of this Pledge Agreement.

Section 4. Representations and Warranties. Pledgor hereby represents, warrants and covenants to and with Secured Parties that:

(a) Pledgor is the legal and beneficial owner of its Collateral and has the right to pledge, sell, assign or transfer the same. There exists no Adverse Claim with respect to the Pledged Securities of the Pledgor.

(b) This Agreement creates a valid security interest in favor of the Seller Representative, for the benefit of the Secured Parties, in the Collateral of the Pledgor and, when properly perfected by filing, shall constitute a valid and perfected, first priority security interest in such Collateral (including all uncertificated Pledged Securities consisting of partnership or limited liability company interests that do not constitute Securities), to the extent such security interest can be perfected by filing under the UCC, free and clear of all Liens (except for any Permitted Liens (as defined in the Transaction Agreement)). The Pledgor has not authenticated any agreement authorizing any secured party thereunder to file a financing statement, except to perfect Permitted Liens. The taking possession by the Seller Representative of the certificated securities (if any) evidencing the Pledged Securities and all other Instruments constituting Collateral will perfect and establish the first priority of the Secured Parties' security interest in all the Pledged Securities evidenced by such certificated securities and such Instruments. With respect to any Collateral consisting of a Deposit Account, Security Entitlement or held in a Securities Account, upon execution and delivery by the Pledgor of an agreement granting control to the Seller's Representative over such Collateral, the Seller's Representative shall have a valid and perfected, first priority security interest in such Collateral.

(c) Pledgor has all power, statutory and otherwise, to execute and deliver this Pledge Agreement, to perform Pledgor's obligations hereunder and to subject the Collateral to the security interest created hereby, all of which has been duly authorized by all necessary action;

(d) None of the Collateral consists of, or is the Proceeds of, (i) As-Extracted Collateral, (ii) Consumer Goods, (iii) Farm Products, (iv) Manufactured Homes, (v) standing timber, (vi) an aircraft, airframe, aircraft engine or related property, (vii) an aircraft leasehold interest, (viii) a Vessel or (ix) any other interest in or to any of the foregoing.

(e) no consent or approval of any governmental body or regulatory authority or any securities exchange (collectively, a "Governmental Authority"), or other person or entity was or is necessary to the validity of the pledge effected pursuant to this Pledge Agreement; and

(f) the Pledged Securities (i) are not subject to any warrant, option, put, call or other right to acquire, redeem, sell, transfer or encumber them, and (ii) are not governed by or otherwise subject to any shareholders agreement, voting trust or similar agreement or arrangement, and, other than as to securities laws of general application, except as set forth in the Transaction Agreement, the Secured Promissory Note and the Contingent Note, are not limited or otherwise restricted in any way respecting assignability or transferability or any voting, dividend, distribution or other ownership right, assuming, in each case, that no such contract or agreement existed with respect to the Pledged Securities owned by Secured Parties immediately prior to the Closing of the Transaction Agreement.

Section 5. Additional Covenants.

(a) Additional Securities, Rights, Grants or Issuances. If Pledgor shall receive any (i) certificate, including without limitation, any certificate representing a dividend or distribution in connection with any increase or reduction of capital, reclassification, merger, consolidation, sale of assets, combination of shares of capital stock, stock splits, spin-off or split-off, promissory notes or other instruments; (ii) option or right, whether as an addition to, substitution for, or an exchange for, any Collateral or otherwise; (iii) dividends payable in capital stock; or (iv) distributions of capital stock or other equity interests in connection with a partial or total liquidation, dissolution or reduction of capital, capital surplus or paid-in surplus, then Pledgor shall receive such certificate, instrument, option, right or distribution in trust for the benefit of Secured Parties; shall segregate it from Pledgor's other property and shall deliver it forthwith to Secured Parties in the exact form received accompanied by duly executed instruments of transfer or assignment in blank, in the form requested by Secured Parties, to be held by Secured Parties as Collateral for the Obligations.

(b) Financing Statements. Pledgor hereby authorizes Secured Parties to prepare and file such financing statements (including renewal statements) or amendments thereof or supplements thereto or other instruments as Secured Parties may from time to time deem necessary or appropriate in order to perfect and maintain the security interests granted hereunder in accordance with the UCC of the appropriate jurisdiction, which financing statements may describe the Collateral in the same manner as described herein or may contain an indication or description of Collateral that describes such property in any other manner as the Secured Parties may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the security interest in the Collateral granted herein, including, without limitation, describing such property as "all assets, whether now owned or hereafter acquired, except for the Excluded Assets" or "all personal property, whether now owned or hereafter acquired, except for the Excluded Assets". Pledgor shall execute and deliver to Secured Parties such agreements, assignments or instruments (including affidavits, notices, reaffirmations and amendments and restatements of existing documents, as Secured Parties may request) and do all such other things as Secured Parties may deem necessary or appropriate to assure to Secured Parties its security interests hereunder are perfected. To that end, Pledgor hereby irrevocably makes, constitutes and appoints Secured Parties, its nominee or any other person whom Secured Parties may designate, as Pledgor's attorney-in-fact with full power of substitution, to effect any such financing statements, or amendments and supplements to financing statements, renewal financing statements, notices or any similar documents which in Secured Parties' discretion would be necessary, appropriate or convenient in order to perfect and maintain perfection of the security interests granted hereunder, such power, being coupled with an interest, being and remaining irrevocable so long as any of the Obligations remain outstanding. Pledgor agrees to mark its books and records (and to cause the Acquired Companies to mark their respective books and records) to reflect the security interest of Secured Parties in the Collateral.

Section 6. Voting Rights; Dividends.

(a) At any time that an Event of Default is not continuing, Pledgor shall be entitled to fully exercise any and all voting and/or other consensual rights and powers that would otherwise accrue to an owner of the Pledged Securities or any part thereof.

(b) At any time that an Event of Default is continuing, all rights of Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to clause (a) of this subsection shall cease and all such rights shall thereupon become vested in Secured Parties which shall then have the sole right in their discretion to exercise such voting and other consensual rights.

(c) At any time that an Event of Default is continuing, Pledgor shall execute such documents and instruments, including but not limited to, statements that Pledgor no longer has the right to act as a stockholder or otherwise relating to such change as Secured Parties may request. Pledgor agrees that it may rely conclusively upon any notice from Secured Parties that Secured Parties have the right and authority to exercise all rights and powers of Pledgor as a stockholder. Pledgor irrevocably waives any claim or cause of action against the Secured Parties following receipt of such notice from Secured Parties.

(d) Any cash dividends payable with respect to the Pledged Securities shall be used to repay or prepay the Senior Notes.

Section 7. Default. The occurrence of any "Event of Default" under any Senior Note shall constitute an "**Event of Default**" hereunder:

Section 8. Remedies Upon Default. Upon the occurrence and during the continuation of any Event of Default, the Secured Parties shall have the right to take possession of, collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may sell, assign, give options to purchase, contract to sell or otherwise dispose of and deliver the Collateral (that remain subject to pledge hereunder), or any part thereof, in one or more parcels at public or private sale or sales, at any exchange, broker's board or at the Corporation's offices. Any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to the Pledgor in accordance with the terms of the relevant Senior Note at least ten (10) days before the time of sale or other event giving rise to the requirement of such notice; provided, however, no notification need be given to the Pledgor if the Pledgor has signed, after an Event of Default hereunder has occurred, a statement renouncing any right to notification. The Secured Parties may, to the extent permitted by the UCC and other applicable law, without advertisement, hearing or process of law, all of which the Pledgor hereby waives to the extent permitted by applicable law, at any time or times, retake full ownership, possession, and control of the Collateral. The Pledgor shall pay the Secured Parties all reasonable costs and expenses incurred by the Secured Parties, including reasonable attorneys' fees for attorneys for the Secured Parties, disbursements and court costs, in obtaining, liquidating or enforcing Secured Parties' ownership, possession, and control of the Collateral or in the prosecution or defense of any action or proceeding by or against the Secured Parties or the Pledgor concerning any matter arising out of or connected with this Pledge Agreement, the Secured Promissory Note, the Contingent Note or the Collateral, including, without limitation, any of the foregoing arising in, arising under or related to a case under the Bankruptcy Code (or any successor statute) or any other bankruptcy law.

Section 9. Indemnification.

(a) Pledgor shall indemnify and hold harmless Secured Parties, their employees, agents and affiliated entities, and each of them, from and against any and all liabilities, obligations, claims, damages, or expenses incurred by any of them arising out of or by reason of entering into this Pledge Agreement, the Secured Promissory Note, the Contingent Note or the consummation of the transactions contemplated therein and to pay or reimburse Secured Parties for the fees and disbursements of counsel incurred in connection with any investigation, litigation or other proceedings (whether or not Secured Parties are a party thereto) arising out of or by reason of any of the aforesaid except for any liabilities, obligations, claims, damages or expenses arising out of their gross negligence or willful misconduct. Secured Parties will promptly give Pledgor written notice of the assertion of any claim which it believes is subject to the indemnity set forth in this **Section 9** and will upon the request of Pledgor promptly furnish Pledgor with all material in its possession relating to such claim or the defense thereof to the extent that Secured Parties may do so without breach of duty to others.

(b) In the event that the Secured Parties exercise their remedies available under this Pledge Agreement, Pledgor shall reimburse the Transaction Expenses (as such term is defined in the Transaction Agreement) of the Secured Parties under the Transaction Agreement.

Section 10. Rights of Secured Parties.

(a) Power of Attorney. In addition to other powers of attorney contained herein, Pledgor hereby designates and appoints Seller Representative and each of its designees or agents, as attorney-in-fact of Pledgor, irrevocably and with full power of substitution, with authority to take any or all of the following actions upon the occurrence and during the continuation of an Event of Default:

i to demand, collect, settle, compromise, adjust and give discharges and releases concerning the Collateral or the Obligations;

ii to commence and prosecute any actions or proceedings for the purposes of collecting any of the Collateral or the Obligations and enforcing any other right in respect thereof;

iii to defend, settle, adjust or compromise any action, suit or proceeding brought and, in connection therewith, give such discharge or release;

iv to pay or discharge taxes, security interests, or other liens on or threatened against the Collateral;

v to direct any parties liable for any payment, to make payment directly to Secured Parties or as Secured Parties shall direct;

vi to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Collateral or the Obligations;

vii to sign and endorse any drafts, assignments, proxies, stock powers, consents, verifications, notices and other documents relating to the Collateral or the Obligations;

viii to authorize, execute and deliver all assignments, conveyances, statements, financing statements, renewal financing statements, pledge agreements, affidavits, notices and other agreements, instruments and documents that Secured Parties may determine necessary or appropriate in order to perfect and maintain the security interests and liens granted in this Pledge Agreement and in order to fully consummate all of the transactions contemplated herein and the Senior Notes;

ix to exchange any of the Collateral upon any merger, consolidation, reorganization, recapitalization or other readjustment of Pledgor or the issuer thereof and, in connection therewith, deposit any of the Collateral with any committee, depository, transfer agent, registrar or other designated agency upon such terms as Secured Parties may determine;

x to vote for a director, shareholder, partner, manager, or member resolution, or to sign any consent or instrument in writing, sanctioning the transfer of any or all of the Collateral into the name of Secured Parties or into the name of any transferee to whom the Collateral of Pledgor or any part thereof may be sold; and

xi to do and perform all such other acts and things as Secured Parties may deem to be necessary, proper or convenient in connection with this Pledge Agreement and the Senior Notes.

This power of attorney is a power coupled with an interest and shall be irrevocable for so long as any of the Obligations remain outstanding. Seller Representative shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges and options expressly or implicitly granted to Secured Parties in this Pledge Agreement and shall not be liable for any failure to do so or any delay in doing so. Seller Representative shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in its individual capacity or its capacity as attorney-in-fact except acts or omissions resulting from its gross negligence or willful misconduct. This power of attorney is conferred on Secured Parties solely to protect, preserve and realize upon their security interest in the Collateral.

(b) Assignment by Secured Parties. This Pledge Agreement will be binding upon and inure to the benefit of Pledgor, Secured Parties, and their respective successors, assigns, executors, heirs, devisees and beneficiaries; provided, however, Pledgor shall not assign this Pledge Agreement without the prior consent of Seller Representative and Secured Parties shall not assign this Pledge Agreement without the prior consent of Pledgor.

(c) Secured Parties' Duty of Care. Other than the exercise of reasonable care to ensure the safe custody of the Collateral while being held by Secured Parties hereunder, Secured Parties shall have no duty or liability to preserve rights pertaining thereto, it being understood and agreed that Pledgor shall be responsible for preservation of all rights in the Collateral, and Secured Parties shall be relieved of all responsibility for Collateral upon surrendering it or tendering the surrender of it to Pledgor. Secured Parties shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in their possession if such Collateral is accorded treatment substantially equal to that which Secured Parties accord their own property, it being understood that Secured Parties shall not have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Collateral, whether or not Secured Parties have or are deemed to have knowledge of such matters or (ii) taking any steps or refraining therefrom to preserve rights against any other parties with respect to any Collateral.

(d) Release of Collateral. Seller Representative may release any of the Collateral from this Pledge Agreement or may substitute any of the Collateral without altering, varying or diminishing in any way the force, effect, lien, pledge or security interest of this Pledge Agreement as to any Collateral not expressly released or substituted, and this Pledge Agreement shall continue as a first priority lien on all Collateral not expressly released or substituted.

(e) Rights and Remedies. Seller Representative, on behalf of the Secured Parties, is entitled to exercise all rights and remedies available to them pursuant to Section 8 of this Pledge Agreement. The rights and remedies of Secured Parties granted hereunder are several and cumulative at Seller Representative's discretion and may be exercised at Seller Representative's discretion.

(f) Costs of Counsel. If at any time hereafter, whether upon the occurrence of an Event of Default or not, Secured Parties employ counsel or other experts or advisors to take action or make a response in connection with this Pledge Agreement, the Collateral, or any Senior Note, Pledgor agrees to promptly pay upon demand any and all such costs and expenses of Secured Parties or the Seller Representative, all of which costs and expenses shall constitute Obligations.

Section 11. Termination. This Pledge Agreement shall terminate, and all security interests in the Collateral shall automatically terminate and be completely released upon indefeasible payment and satisfaction in full of all payment obligations of Pledgor under the Senior Notes.

Section 12. Further Assurances. Pledgor agrees to do such further acts and things, and to execute and deliver such additional conveyances, assignments, reassignments, agreements and instruments, as Secured Parties may at any time request in connection with the administration and enforcement of this Pledge Agreement or with respect to the Collateral or any part thereof, and with respect to the grant, release or termination of Secured Parties' security interest in any of the Collateral, or otherwise in order better to assure and confirm unto Secured Parties its rights and remedies hereunder and under this Pledge Agreement.

Section 13. Notices. All notices, requests and demands to or upon the respective parties hereto shall be in writing and either (a) delivered by registered or certified mail, (b) delivered by hand, or (c) delivered by national overnight courier service with next Business Day delivery, and shall be deemed to have been duly given or made (i) upon the earlier of actual receipt and three (3) Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (ii) one (1) Business Day after deposit with a national overnight courier with all charges prepaid, or (iii) when hand-delivered. All notices, requests and demands are to be given or made to the respective parties at the following addresses (or to such other addresses as either party may designate by notice in accordance with the provisions of this paragraph):

If to Pledgor:

SUNation Energy, Inc.
171 Remington
Ronkonkoma, NY 11779
Attention: Kristin Hlavka and
Roger Lacey
With a copy to (which shall not constitute notice):

Rimon P.C.
1000 Jericho Quadrangle, Suite 300
Jericho, NY 11753
Attention: Anthony C. Acampora and Ted Ghorra

If to Secured Parties or Seller Representative:

Scott Maskin
40 Grassmere Avenue
Oakdale, NY 11769
Email: smaskin@sunation.com

With a copy to (which shall not constitute notice):

Michael Sepe, Esq.
41 Front Street, 2nd Floor
Rockville Centre, NY 11570
Email: MS@sepelaw.com

Notwithstanding the foregoing, that parties expressly acknowledge and agree that the foregoing provisions of notice by Secured Parties to Pledgor's counsel are an accommodation only, and that Secured Parties shall have fulfilled their notice obligation hereunder if notice shall have been received by Pledgor at its address irrespective of whether such notice is received by Pledgor's counsel.

Section 14. Construction. No provision of this Pledge Agreement shall be construed against or interpreted to the disadvantage of any party hereto by reason of such party or its counsel having, or being deemed to have, structured or drafted such provision.

Section 15. Headings, Amendments, Waiver. Section and paragraph headings are for convenience only and shall not be construed as part of this Pledge Agreement. Any modification and amendment shall be in writing and signed by the parties, and any waiver of, or consent to any departure from, any representation, warranty, covenant or other term or provision shall be in writing and signed by each affected party hereto or thereto, as applicable. A waiver of a breach of any term, covenant or condition of this Pledge Agreement shall not operate or be construed as a continuing waiver of such term, covenant or condition, or breach, or of any other term, covenant or condition, or breach by such party. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall preclude any other or further exercise of any other right, remedy or power provided herein or by law or in equity.

Section 16. Entire Agreement. This Pledge Agreement represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

Section 17. Survival. All covenants, agreements, representations and warranties made by Pledgor herein shall survive the execution and delivery of this Pledge Agreement and shall continue so long as any Obligations are outstanding and unsatisfied, applicable statutes of limitations to the contrary notwithstanding.

Section 18. Severability. Every provision of this Pledge Agreement is intended to be severable. If, in any jurisdiction, any term or provision hereof is determined to be invalid or unenforceable,
(a) the remaining terms and provisions hereof shall be unimpaired, (b) any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such term or provision in any other jurisdiction, and (c) the invalid or unenforceable term or provision shall, for purposes of such jurisdiction, be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision. If a court of competent jurisdiction determines that any covenant or restriction, by the length of time or any other restriction, or portion thereof, set forth in this Pledge Agreement is unreasonable or unenforceable, the court shall reduce or modify such covenants or restrictions to those which it deems reasonable and enforceable under the circumstances and, as so reduced or modified, the parties hereto agree that such covenants and restrictions shall remain in full force and effect as so modified. In the event a court of competent jurisdiction determines that any provision of this Pledge Agreement is invalid or against public policy and cannot be so reduced or modified so as to be made enforceable, the remaining provisions of this Pledge Agreement shall not be affected thereby and shall remain in full force and effect.

Section 19. Successors and Assigns; Assignment. All covenants, promises and agreements by or on behalf of the parties contained in this Pledge Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns; provided, however, that nothing in this Pledge Agreement, express or implied, shall confer on Pledgor the right to assign any of its rights or obligations hereunder at any time.

Section 20. APPLICABLE LAW. THIS PLEDGE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, THE LAWS OF WHICH PLEDGOR HEREBY EXPRESSLY ELECTS TO APPLY TO THIS PLEDGE AGREEMENT, WITHOUT GIVING EFFECT TO PROVISIONS FOR CHOICE OF LAW THEREUNDER. PLEDGOR AGREES THAT ANY ACTION OR PROCEEDING BROUGHT TO ENFORCE OR ARISING OUT OF THIS PLEDGE AGREEMENT SHALL BE COMMENCED IN ACCORDANCE WITH THE PROVISIONS OF THIS PLEDGE AGREEMENT.

Section 21. WAIVER OF JURY TRIAL. PLEDGOR HEREBY WAIVES ANY AND ALL RIGHTS THAT IT MAY NOW OR HEREAFTER HAVE UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY STATE TO A TRIAL BY JURY OF ANY AND ALL ISSUES ARISING EITHER DIRECTLY OR INDIRECTLY IN ANY ACTION OR PROCEEDING BETWEEN PLEDGOR AND SECURED PARTIES OR THEIR SUCCESSORS AND ASSIGNS, OUT OF OR IN ANY WAY CONNECTED WITH THIS PLEDGE AGREEMENT, THE SECURED PROMISSORY NOTE, THE CONTINGENT NOTE, THE OBLIGATIONS AND/OR THE COLLATERAL. IT IS INTENDED THAT SAID WAIVER SHALL APPLY TO ANY AND ALL DEFENSES, RIGHTS, AND/OR COUNTERCLAIMS IN ANY ACTION OR PROCEEDINGS BETWEEN PLEDGOR AND SECURED PARTIES. PLEDGOR WAIVES ALL RIGHTS TO INTERPOSE ANY CLAIMS, DEDUCTIONS, SETOFFS OR COUNTERCLAIMS OF ANY KIND, NATURE OR DESCRIPTION IN ANY ACTION OR PROCEEDING INSTITUTED BY SECURED PARTIES WITH RESPECT TO THIS PLEDGE AGREEMENT, THE SECURED PROMISSORY NOTE, THE CONTINGENT NOTE, THE OBLIGATIONS, THE COLLATERAL OR ANY MATTER ARISING THEREFROM OR RELATING THERETO, EXCEPT COMPULSORY COUNTERCLAIMS.

Section 22. CONSENT TO JURISDICTION. PLEDGOR HEREBY (a) IRREVOCABLY SUBMITS AND CONSENTS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF NEW YORK, SUFFOLK YORK COUNTY, WITH RESPECT TO ANY ACTION OR PROCEEDING ARISING OUT OF THIS PLEDGE AGREEMENT, THE SECURED PROMISSORY NOTE, THE CONTINGENT NOTE, THE OBLIGATIONS AND/OR THE COLLATERAL OR ANY MATTER ARISING THEREFROM OR RELATING THERETO, AND (b) WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE BASED ON VENUE OR FORUM NON CONVENIENS WITH RESPECT THERETO. IN ANY SUCH ACTION OR PROCEEDING, PLEDGOR WAIVES PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT OR OTHER PROCESS AND PAPERS THEREIN AND AGREES THAT THE SERVICE THEREOF MAY BE MADE BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO PLEDGOR AT ITS OFFICES SET FORTH HEREIN OR OTHER ADDRESS THEREOF OF WHICH SECURED PARTIES HAVE RECEIVED NOTICE AS PROVIDED IN THIS PLEDGE AGREEMENT. NOTWITHSTANDING THE FOREGOING, PLEDGOR CONSENTS TO THE COMMENCEMENT BY SECURED PARTIES OF ANY SUIT, ACTION OR PROCEEDING IN ANY OTHER JURISDICTION TO ENFORCE THEIR RIGHTS IN AND TO THE COLLATERAL AND WAIVES ANY OBJECTIONS WHICH IT MAY NOW OR HEREAFTER HAVE BASED ON VENUE AND/OR FORUM NON CONVENIENS OF ANY SUCH SUIT, ACTION OR PROCEEDING.

Section 23. Counterparts. This Pledge Agreement may be executed in one or more counterparts, and by facsimile or electronic signature, each of which when so executed, shall be deemed an original, but all of which shall constitute but one and the same instrument.

Section 24. Seller Representative as Agent. Solely for the purpose of perfection of any security interests granted hereunder, the Seller Representative agrees to act as agent of all of the Secured Parties. Any collateral required to be delivered to the Secured Parties pursuant to this Agreement may be delivered by the Pledgor to the Seller Representative, and the Seller Representative shall hold such collateral on behalf of all Secured Parties for perfection purposes. All Secured Parties agree that such delivery to the Seller Representative shall satisfy any such delivery requirement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Pledge and Security Agreement to be duly executed as of the date first above written.

PLEDGOR:

SUNATION ENERGY, INC.

By: /s/ Roger Lacey
Name: Roger Lacey
Title: Chairman

IN WITNESS WHEREOF, the parties hereto have caused this Pledge and Security Agreement to be duly executed as of the date first above written.

SECURED PARTIES:

Scott Maskin

/s/ Scott Maskin

James Brennan

/s/ James Brennan

SELLER REPRESENTATIVE

Scott Maskin

/s/ Scott Maskin

EXHIBIT A TO

PLEDGE AND SECURITY AGREEMENT <u>SECURED PROMISSORY NOTE</u>

EXHIBIT B TO

PLEDGE AND SECURITY AGREEMENT <u>CONTINGENT NOTE</u>

SENIOR SECURED CONTINGENT NOTE INSTRUMENT

Relevant Note Amount (Up to $2,500,000.00) **April 10, 2025**
Ronkonkoma, New York

FOR VALUE RECEIVED, subject to the satisfaction of the Conditions and solely contingent on such satisfaction, SUNation Energy, Inc. (f/k/a Pineapple Energy Inc.), a Delaware corporation ("**Maker**"), hereby promises to pay to the order of Scott Maskin, a resident of the State of New York ("**Maskin**"), and James Brennan, a resident of the State of Florida ("**Brennan**" and, together with Maskin, the "**Holders**"), at such place as Holders may, from time to time, specify in writing, the Relevant Note Amount (as hereinafter defined) in the aggregate, payable to each Holder pursuant to their Pro Rata Share as set forth on Exhibit A hereto, as provided under the terms of this contingent note instrument (this "**Note**").

Capitalized terms used herein and not defined shall have the meaning given to such terms in that certain Transaction Agreement, dated as of November 9, 2022 (the "**Purchase Agreement**").

1. Definitions

(a) "**Business**" means the business of installing and servicing solar power systems, battery storage and related equipment for residential, commercial and municipal properties primarily in Long Island, New York.

(b) "**Conditions**" means (i) the EBITDA of the Acquired Companies during the 2025 Measurement Period being greater than the EBITDA of the Acquired Companies during the 2024 Measurement Period, and (ii) the Holders being employees of Maker on the Payment Trigger Date (unless the failure to satisfy such condition in this clause (ii) is a result of a change of control of Maker that leads to an acceleration under that certain Amended and Restated Long-Term Senior Secured Promissory Note dated March 31, 2025 from Maker to the Holders).

(c) "**EBITDA**" means, with respect to any measurement period, and consistent with the past practices of the Acquired Companies and taking into account only expenses of the Acquired Companies as those incurred by them in the Ordinary Course of Business prior to November 9, 2022, the aggregate consolidated net income before interest, income taxes, depreciation and amortization of the Acquired Companies, in all cases attributable directly to sales generated by the Acquired Companies and the Business determined in accordance with United States generally accepted account principles, consistently applied. For the avoidance of doubt, EBITDA will not include any income related to employee retention credits.

(d) "**Payment Trigger Date**" means the date that is 5 Business Days after the date that the EBITDA Determination Statement becomes final and binding on the Holders (which, in the absence of a disagreement, will be 30 days after the required or actual date of delivery (whichever is earlier) by Maker to the Holders of the EBITDA Determination Statement); provided that, to the extent any Holder disagrees with the determination of EBITDA for the 2025 Measurement Period, it shall provide Maker with written notice thereof within 30 days of its receipt of the EBITDA Determination Statement and the Maker and Holders shall comply with the dispute resolution procedures set forth in clause (d) of Section 1.5 of the Purchase Agreement to resolve the disagreement, in which case the Payment Trigger Date will be 5 Business Days after the date of resolution of the disagreement (whether by agreement or the Accountant's final and binding decision).

(e) "**Pledge Agreement**" means that certain Pledge and Security Agreement, dated as of the date hereof, by and among Maker, Holders and the other parties thereto.

(f) "**Relevant Note Amount**" means the amount equal to (in the aggregate) (A)(1)(x) the EBITDA for the 2025 Measurement Period, minus (y) the EBITDA for the 2024 Measurement Period, divided by (2) the EBITDA for the 2024 Measurement Period, multiplied by (B) ten, multiplied by (C) $2,500,000; provided that in no event will the amount exceed $2,500,000.

(g) "**2024 Measurement Period**" means the twelve-month period beginning on January 1, 2024 and ending on December 31, 2024.

(h) "**2025 Measurement Period**" means the twelve-month period beginning on January 1, 2025 and ending on December 31, 2025.

2. Payments of Principal and Interest.

(a) Interest. Subject to satisfaction of the Conditions, the outstanding Relevant Note Amount shall accrue interest at an annual rate of 8.00% per annum, commencing on the Initial Payment Date and continuing until the Relevant Note Amount and all accrued interest is paid in full. All computations of interest shall be payable in arrears based on a 360-day year and payable on the actual number of days elapsed in any whole or partial year.

(b) Interest Payments. Subject to satisfaction of the Conditions, interest accrued under this Note shall be payable monthly on the first day of each month commencing with the first day of the month immediately following the Initial Payment Date. If the Conditions are satisfied but interest is not paid in accordance with the foregoing terms, the Holders may take any and all available actions and remedies to enforce the obligations of the Maker under this Note.

(c) Installment Payments. Subject to satisfaction of the Conditions, this Note shall be due and payable in 24 equal installments totaling, in the aggregate, the Relevant Note Amount, payable on the first day of each of the 24 consecutive months following the Payment Trigger Date and commencing with the first day of the month immediately following the Payment Trigger Date (the "**Initial Payment Date**"). If the Conditions are satisfied but the Relevant Note Amount is not paid in accordance with the foregoing terms, the Holders may take any and all available actions and remedies to enforce the obligations of the Maker under this Note. If the Conditions are not satisfied, no amount shall be due and owing under this Note.

3. **Tax Matters**. Each Holder is responsible for payment of all taxes (including any interest and penalties) legally imposed upon such Holder in connection with this Note, and the Company shall not have any liability to any Holder or any other party with respect to any such tax or amount.

4. **Affirmative Covenants**. Until payment in full of the Relevant Note Amount and all accrued interest thereon (or, if the Conditions are not satisfied, until the Payment Trigger Date), Maker hereby covenants and agrees as follows, unless otherwise agreed to in writing by Holders:

(a) Within 90 days following the completion of the 2025 Measurement Period, Maker will prepare and deliver to the Holders a written statement setting forth, in reasonable detail, Maker's good faith determination of EBITDA for the 2025 Measurement Period and the resulting Relevant Note Amount (the "**EBITDA Determination Statement**").

(b) During the 2025 Measurement Period, Maker shall (and shall cause the Acquired Companies to): (i) maintain books and records with respect to the business activities related to the Acquired Companies separate from any other business activities and operations of Maker as shall be necessary to substantiate EBITDA calculations, and (ii) not take or fail to take any action in bad faith with the intention of causing a reduction of the Relevant Note Amount.

(c) Maker shall refrain from any arbitrary or unreasonable conduct that is undertaken with the intent of avoiding the satisfaction of the Conditions or reducing the Relevant Note Amount.

5. **Negative Covenants**. Until payment in full of the Relevant Note Amount and all accrued interest thereon (or, if the Conditions are not satisfied, until the Payment Trigger Date), Maker hereby covenants and agrees as follows, unless otherwise agreed to in writing by Holders:

(a) Not to sell, lease, transfer, convey or otherwise dispose of any or all of the assets of the Acquired Companies (as defined in the Purchase Agreement) or Collateral (as defined in the Pledge Agreement), except for (i) dispositions of inventory in the ordinary course of business, (ii) payments of accounts payable and debt servicing, as such payments become due in the ordinary course of business, and (iii) any action otherwise expressly permitted by clauses (b) through (g) of this Section.

(b) Not to incur, create or permit to exist any lien on any of the property or assets of the Acquired Companies, whether now owned or hereafter acquired, except for those liens in favor of Holders created by this Note and the Pledge Agreement, Permitted Liens (as defined in the Purchase Agreement) or the Liens existing on the date hereof.

(c) Not to permit any of the Acquired Companies to incur, create, assume or permit to exist any Indebtedness for borrowed money, except Indebtedness existing on the date hereof and obligations arising under the Purchase Agreement.

(d) Not to permit any of the Acquired Companies to make any loans to any Person, other than advances to employees of the Acquired Companies in the ordinary course of business consistent with past practice, with outstanding advances to any employee not to exceed $5,000 at any time, except for any such loans outstanding on the date hereof.

(e) Not to permit any of the Acquired Companies to assume, guaranty, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any person, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business and such guaranties existing on the date hereof.

(f) Not to permit any of the Acquired Companies to make any distributions or payments of cash or other property other than (i) distributions or payments made in the ordinary course of business and consistent with past practice or (ii) distributions made for the express purposes of repaying or prepaying amounts owing under this Note.

(g) Not to permit any of the Acquired Companies to compromise, settle or adjust any claims in any amount relating to any of the Collateral without the prior written consent of Holders.

6. **Waivers**. Maker hereby: (a) waives presentment for payment, demand, notice of demand, notice of non-payment or dishonor, protest and notice of protest of this Note, and all other notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note and (b) agrees that Holders shall not be required first to institute any suit, or to exhaust its remedies against the undersigned or any other person or party to become liable hereunder in order to enforce the payment of this Note.

7. **Failure or Indulgence Not Waiver**. No delay by any Holder in exercising any power or right hereunder shall operate as a waiver of any power or right, nor shall any single or partial exercise of any power or right preclude any or further exercise thereof, or the exercise of any other power or right hereunder or otherwise. No waiver whatsoever of the terms hereof shall be valid unless in writing signed by the Holders and only to the extent therein set forth. A waiver on one event shall not be construed as continuing or as a bar to or waiver of any right or remedy to a subsequent event.

8. **Maker's Certifications.** Maker certifies that this Note complies with its bylaws, and neither Scott Maskin nor James Brennan participated in the vote of the board of directors to approve this Note.

9. **Miscellaneous Provisions.**

(a) <u>Successors and Assigns</u>. This Note will be binding upon and inure to the benefit of Maker, Holders, and their respective successors, assigns, executors, heirs, devisees and beneficiaries; provided, however, Maker shall not assign this Note without the prior consent of Holders, and no Holder shall assign this Note without the prior consent of Maker.

(b) <u>Modification</u>. This Note may not be modified except in writing signed by Maker and Holders. Any modifications made in compliance with this Section 9(b) shall be binding on Maker and all Holders.

(c) <u>Applicable Law</u>. This Note shall be construed in accordance with the laws of the State of New York, notwithstanding any jurisdiction's choice-of-law rules to the contrary. Any action brought to enforce or construe this Note shall be brought in the federal or state courts located in Suffolk County, New York.

(d) <u>Severability</u>. If at any time any provision of this Note is or becomes illegal, invalid or unenforceable in any respect, the legality, validity and enforceability of the remaining provisions of this Note will not be affected and such remaining provisions will remain in full force and effect.

(e) <u>Secured Obligations</u>. Maker's obligations under this Note are secured by the terms of Pledge Agreement.

(f) <u>Costs</u>. Maker shall pay and, if paid by Holders, reimburse Holders for their reasonable costs and expenses incurred in exercising Holders' rights under this Note. A reference to costs and expenses in this Note includes, without limitation, reasonable and documented legal costs and expenses.

(g) <u>Notices</u>. All notices, consents, waivers and other communications under this Note must be in writing and will be deemed to have been duly given when given in accordance with the terms of the Purchase Agreement.

(h) <u>Force Majeure</u>. Except as otherwise set forth in this Agreement, this Agreement and the obligations of the parties hereunder shall toll if such party is prevented or delayed from performance by reason of any cause beyond the reasonable control of such party including, but not limited to, acts of war, emergency, terrorism, bioterrorism, governmental preemption in connection with a National Emergency, disease (including, without limitation, delays arising out of the spread of COVID-19, such as, without limitation, delays in the responsiveness of, or the unavailability of, governmental authorities to grant permit applications or signoffs or to perform inspections, or the unavailability of required meetings of governmental agencies necessary to act to grant any Approvals) or by reason of any rule, order or regulation of any department or subdivision thereof of any government agency or by reason of the conditions of supply and demand which have been or are affected by war or other emergency (collectively, "**Force Majeure**"). This includes the inability to initiate a wire transfer due to impact to a banks infrastructure or ability to connect to the Federal Reserve to process wire transfers. This also is intended to include, but not be limited to, delays by a financial institution caused by the performance of its responsibilities related to requirements set out by the Office of Foreign Assets Control (OFAC).

(i) Payment Best Practices: Payments shall be made by wire transfer unless otherwise agreed up to 10 business days in advance of payment due date. Holders shall provide Maker with wire instructions, through a secure method agreed to by Maker, at least 7 business days in advance of a payment date so as to provide Maker with ample time to verify wire instructions and initiate the payment. Any failure of a Holder (including any and all assignees) to provide Maker such instructions shall toll any time periods for determination of default and shall cause no incremental interest to be due for the affected payment and interest due on future payments shall accrue as if the principal balance of the note was reduced on the original due day of the affected payment. Maker, after failure to timely receive payment information, and at its sole discretion may elect to make the payment by check payable to such Holder (including any and all assignees) at Holder's (including any and all assignees') physical address. Nothing herein shall otherwise alter any default by Maker.

[Signature Page Follows]

IN WITNESS WHEREOF, Maker has executed this Note as of the date first written above.

SUNATION ENERGY, INC., a Delaware corporation

By: /s/ Roger Lacey
Name: Roger Lacey
Title: Chairman

Agreed and accepted by Holders:

Scott Maskin

/s/ Scott Maskin

James Brennan

/s/ James Brennan

EXHIBIT A PRO RATA SHARE

Holders		Pro Rata Share
Maskin		81.82%
Brennan		18.18%
	Total:	100.00%

SUBORDINATION AND INTERCREDITOR AGREEMENT

THIS SUBORDINATION AND INTERCREDITOR AGREEMENT, dated as of April 10, 2025 (as from time to time amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof, this "**Agreement**"), is made and entered into by and among (i) Scott Maskin, a resident of the State of New York ("**Maskin**"), (ii) James Brennan, a resident of the State of Florida ("**Brennan**" and, together with Maskin, the "**Senior Creditors**"), and (iii) MBB Energy, LLC, a New York limited liability company (the "**Subordinated Creditor**"), and is acknowledged and agreed to by SUNation Energy, Inc. (f/k/a Pineapple Energy Inc.), a Delaware corporation (the "**Company**").

RECITALS:

A. Pursuant to that certain Transaction Agreement dated as of November 9, 2022 (as the same may be amended, supplemented, restated, replaced, refinanced or otherwise modified from time to time as permitted hereunder, the "**Transaction Agreement**") between, among others, the Company and the Senior Creditors, the Senior Creditors, together with a couple of other individuals, sold, transferred and assigned to the Company their capital stock in SUNation Solar Systems, Inc., a New York corporation, as well as certain other affiliated entities (as more specifically defined in the Transaction Agreement, the "**Acquired Companies**"), and the Company purchased from the Senior Creditors such capital shares and acquired the Acquired Companies.

B. Pursuant to the Transaction Agreement and in consideration for the sale of the capital stock referenced in Recital A above, the Company issued to the Senior Creditors an unsecured promissory note in the aggregate principal amount of $5,486,000 on November 9, 2022 (the "**Initial Senior Long-Term Note**").

C. As part of a broader refinancing and in consideration of the Senior Creditors' willingness to waive certain Events of Default thereunder, the Company has agreed to amend and restate the Initial Long-Term Note on the date hereof (the amended and restated Initial Long-Term Note, as the same may be further amended, supplemented, restated, replaced, refinanced or otherwise modified from time to time as permitted hereunder (including any note issued in substitution therefor or in replacement thereof), the "**Senior Note**") to, among other things, secure its obligations thereunder pursuant to that certain Pledge and Security Agreement, dated the date hereof, by the Company in favor of the Senior Creditors (as the same may be further amended, supplemented, restated, replaced, refinanced or otherwise modified from time to time as permitted hereunder, the "**Senior Security Agreement**").

D. Pursuant to that certain Secured Revolving Line of Credit Agreement of even date herewith (as the same may be amended, supplemented, restated, replaced, refinanced or otherwise modified from time to time as permitted hereunder, the "**Subordinated Credit Agreement**") between the Company and the Subordinated Creditor, pursuant to which, among other things, the Initial Subordinated Creditor has agreed, subject to the terms and conditions set forth therein, to provide a line of credit to the Company in the maximum amount of $1,000,000, and the Company has agreed to pay interest for the ability to borrow loans thereunder, the Company issued to the Subordinated Creditor a Secured Revolving Line of Credit Note in the aggregate principal amount of $1,000,000 (as the same may be further amended, supplemented, restated, replaced, refinanced or otherwise modified from time to time as permitted hereunder (including any note issued in substitution therefor or in replacement thereof), the "**Subordinated Note**"), which will be secured by that certain Security Agreement, dated the date hereof, by the Company in favor of the Subordinated Creditor (as the same may be further amended, supplemented, restated, replaced, refinanced or otherwise modified from time to time as permitted hereunder, the "**Subordinated Security Agreement**").

E. As an inducement to and as one of the conditions precedent to the Senior Creditors agreeing to amend and restate the Initial Senior Long-Term Note to reflect the terms of the Senior Note, the Senior Creditors have required the execution and delivery of this Agreement by the Subordinated Creditor, in order to set forth the relative rights and priorities of the Senior Creditors and Subordinated Creditor under the Senior Debt Documents (as hereinafter defined) and the Subordinated Debt Documents (as hereinafter defined), respectively.

NOW, THEREFORE, in order to induce the Senior Creditors to agree to amend and restate the Initial Senior Long-Term Note to reflect the terms of the Senior Note, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto hereby agree as follows:

1. Definitions and Interpretation. The following terms shall have the following meanings in this Agreement:

"**Acquired Companies**" shall have the meaning given in the Recitals.

"**Affiliate**" shall mean, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. As such term is used in this definition, "Control" of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

"**Agreement**" shall have the meaning given in the preamble hereto.

"**Bankruptcy Code**" shall mean the United States Federal Bankruptcy Reform Act of 1978, as heretofore and hereafter amended, and codified as 11 U.S.C. §§ 101 et seq. and the regulations issued thereunder.

"**Brennan**" shall have the meaning given in the preamble hereto.

"**Business Day**" shall mean any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York, U.S.A. are required or authorized to be closed.

"**Collateral**" shall mean, collectively, all of the real, personal and mixed property of the Company pledged to secure all or any portion of the Senior Debt.

“**Company**” shall have the meaning given in the preamble hereto.

“**Contingent Note**” shall mean that certain Senior Secured Contingent Note Instrument, dated as of the date hereof, from the Company to the Senior Creditors.

“**Distribution**” shall mean, with respect to any indebtedness, capital stock or other obligations, (a) any payment or distribution by any Person of cash, securities or other property, by set-off or otherwise, on account of such indebtedness, capital stock or obligation (for the avoidance of doubt, including any payment of any principal, interest or other amount on or in relation to any indebtedness) or (b) any redemption, purchase or other acquisition of such indebtedness, capital stock or obligation by any Person, provided, however, that in no event shall the term “Distribution” include the receipt of Reorganization Subordinated Securities.

“**Dollars**” or “**U.S.$**” shall mean lawful currency of the United States of America.

“**Enforcement Action**” shall mean (a) to take from or for the account of the Company or any other obligor on the Subordinated Debt, by set-off or in any other manner, the whole or any part of any moneys which may now or hereafter be owing by any Obligor or any such other obligor with respect to the Subordinated Debt (other than the receipt of Permitted Subordinated Debt Payments allowed to be paid pursuant to this Agreement and distributions of Reorganization Subordinated Securities), (b) to sue for payment of the Subordinated Debt, or to initiate or participate with others in any suit, action or proceeding (including any Insolvency Proceeding) against the Company or any such other obligor to (i) enforce payment of or to collect the whole or any part of the Subordinated Debt or (ii) commence enforcement of any of the rights and remedies under the Subordinated Debt Documents or applicable law with respect to the Subordinated Debt, (c) to accelerate the Subordinated Debt, (d) to exercise any put option or cause the Company or any such other obligor to honor any put option, redemption or mandatory prepayment obligation under any Subordinated Debt Document, (e) to notify account debtors or directly collect accounts receivable or other payment rights of the Company or any such other obligor or (f) take any action under the provisions of any state or federal law, including, without limitation, the Uniform Commercial Code, or under any contract or agreement, to enforce against, foreclose upon, take possession of or sell any property or assets of the Company or any such other obligor, including without limitation the Collateral (other than judgment liens permitted hereunder).

“**Governmental Authority**” shall mean any nation or government, any state or municipality, international governmental or quasi-governmental agency or authority or any other agency, instrumentality or political subdivision thereof, and any entity or federal, state, regional, or local governmental department, commission, board, bureau, authority, agency, court, instrumentality or judicial or regulatory body or entity exercising executive, legislative, judicial, monetary, taxing, regulatory, administrative or police and law enforcement functions of or pertaining to government, including without limitation, the Office of Foreign Assets Control of the United States Department of the Treasury.

“**Guaranty**” shall mean, as to any Person: (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any indebtedness or other obligation payable or performable by another Person (the “*primary obligor*”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect: (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such indebtedness or other obligation of the payment or performance of such indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such indebtedness or other obligation or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part) or (b) any Lien on any assets of such Person securing any indebtedness or other obligation of any other Person, whether or not such indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such indebtedness to obtain any such Lien); provided, however, that the term Guaranty shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guaranty shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guaranty is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guaranty" as a verb has a corresponding meaning.

"**Initial Senior Long-Term Note**" shall have the meaning given in the Recitals.

"**Insolvency Proceeding**" shall have the meaning given in Section 2.1.

"**Interest Payment Date**" means, in respect of the Subordinated Note, the first day of each month in each year, and the Maturity Date (as defined in the Subordinated Credit Agreement as in effect on the date hereof or as modified in accordance with the terms of this Agreement).

"**Lien**" shall mean any mortgage, pledge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

"**Maskin**" shall have the meaning given in the preamble hereto.

"**Paid in Full**" or "**Payment in Full**" when used in connection with (a) the Senior Debt, shall mean the occurrence of each of the following: (i) termination of all commitments to extend credit that would constitute Senior Debt and (ii) payment in full in cash (or cash equivalents acceptable to the Senior Creditors in connection with the Senior Note and the Contingent Note, in each case in their sole and absolute discretion) of all Senior Debt (other than contingent indemnification obligations as to which no claim has been asserted) and (b) the Subordinated Debt, shall mean payment in full in cash (or cash equivalents acceptable to the Subordinated Creditor in its sole and absolute discretion) of all of the Subordinated Debt (other than contingent indemnification obligations as to which no claim has been asserted).

"**Permitted Subordinated Debt Payments**" shall mean any payment or Distribution in respect of the Subordinated Debt which consists solely of (i) payments of interest on the Subordinated Debt which are regularly scheduled payments of interest on the Subordinated Debt due and payable on an Interest Payment Date on a non-accelerated basis (including cash interest and any payment-in-kind interest) in accordance with the terms of the Subordinated Debt Documents, in each case, as such documents are in effect on the date hereof or as modified in accordance with the terms of this Agreement, (ii) payments of principal on the Subordinated Debt in the ordinary course of business, on a non-accelerated basis in accordance with the terms of the Subordinated Debt Documents, in each case, as such documents are in effect on the date hereof or as modified in accordance with the terms of this Agreement, and (iii) payments of principal, interest and other amounts due in connection with the repayment of the Subordinated Debt at maturity or due to termination, on a non-accelerated basis in accordance with the terms of the Subordinated Debt Documents, in each case, as such documents are in effect on the date hereof or as modified in accordance with the terms of this Agreement.

"**Person**" shall mean any natural person, corporation, limited liability company, partnership, joint venture, association, trust or unincorporated organization, Governmental Authority or any other legal entity, whether acting in an individual, fiduciary or other capacity.

"**Reorganization Subordinated Securities**" shall mean (a) any common capital stock of the Company or any direct or indirect parent entity of the Company issued pursuant to a confirmed plan of reorganization in an Insolvency Proceeding (so long as such capital stock does not contain any mandatory put option or mandatory redemption obligations until the Senior Debt has been Paid in Full) or (b) any unsecured debt securities issued in substitution of all or any portion of the Subordinated Debt, in the case of this clause (b) that are subordinated in right of payment, performance and otherwise to the Senior Debt (or any debt issued in substitution of all or any portion of the Senior Debt) to at least the same extent that the Subordinated Debt is subordinated to the Senior Debt (and the liens securing the Senior Debt) pursuant to the terms of this Agreement.

"**Senior Creditors**" shall have the meaning given in the preamble hereto.

"**Senior Debt**" shall mean and include all obligations, liabilities and indebtedness (whether now outstanding or hereafter incurred), for the payment of which the Company is responsible or liable as obligor, guarantor or otherwise in respect of all payment obligations under a Senior Debt Document in respect of principal, interest, premium, fees, charges and expenses (including fees and expenses of counsel to the Senior Creditors), whether now owing or hereafter incurred (including any interest accruing subsequent to the commencement of an Insolvency Proceeding whether or not the claims of holders of such payment obligations for such interest are allowed in any such proceeding).

"**Senior Debt Documents**" shall mean each of the Senior Note, the Contingent Note, the Senior Security Agreement and any related transaction documents, in each case evidencing or pertaining to all or any portion of the Senior Debt.

"**Senior Default**" shall mean any "Event of Default" under a Senior Debt Document.

"**Senior Default Notice**" shall mean written notice of a Senior Default sent by a Senior Creditor or the Company to the Subordinated Creditor.

"**Senior Note**" shall have the meaning given in the Recitals.

"**Senior Security Agreement**" shall have the meaning given in the Recitals.

"**Subordinated Creditor**" shall mean the holder of the Subordinated Debt.

"**Subordinated Debt**" shall mean all obligations, liabilities and indebtedness of the Company owing to the Subordinated Creditor under the Subordinated Debt Documents and shall include, without limitation, principal, interest or any premium. Notwithstanding the foregoing, the obligations of the Company or any other direct or indirect parent entity of the Company, relating solely to capital stock of the Company or any other direct or indirect parent entity of the Company purchased by or otherwise issued to the Subordinated Creditor.

"**Subordinated Debt Default**" shall mean any "Event of Default" under the Subordinated Debt Documents.

"**Subordinated Debt Default Notice**" shall mean written notice of a Subordinated Debt Default sent by the Subordinated Creditor to the Senior Creditors.

"**Subordinated Debt Documents**" shall mean the Subordinated Credit Agreement, the Subordinated Note, the Subordinated Security Agreement, any guaranty with respect to the Subordinated Debt, and all other documents, agreements and instruments now existing or hereinafter entered into evidencing or pertaining to all or any portion of the Subordinated Debt.

"**Subordinated Credit Agreement**" shall have the meaning given in the Recitals.

"**Subordinated Creditor**" shall have the meaning given in the preamble hereto.

"**Subordinated Note**" shall have the meaning given in the Recitals.

"**Subordinated Security Agreement**" shall have the meaning given in the Recitals.

"**Subsidiary**" shall have the meaning given to such term in the Subordinated Credit Agreement (as in effect on the date hereof).

"**Transaction Agreement**" shall have the meaning given in the Recitals.

2. Subordination. Each party hereto covenants and agrees, and the Subordinated Creditor by its acceptance of the Subordinated Debt Documents likewise covenants and agrees, notwithstanding anything to the contrary contained in any of the Subordinated Debt Documents, that the payment of any and all of the Subordinated Debt, and any enforcement rights thereunder, shall be subordinate and subject in right and time of payment and enforcement to the Senior Debt, to the extent and in the manner hereinafter set forth. Each Senior Creditor shall be deemed to have acquired Senior Debt, whether now outstanding or hereafter created, incurred, assumed or guaranteed, in reliance upon the provisions contained in this Agreement.

2.1 Insolvency. In the event of any insolvency, bankruptcy, liquidation, reorganization or other similar proceedings, or any receivership proceedings in connection therewith, relative to the Company (an "**Insolvency Proceeding**"), and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Company, whether or not involving an Insolvency Proceeding, then:

(a) All Senior Debt shall first be Paid in Full before any Distribution, whether in cash, securities or other property, shall be made to the Subordinated Creditor on account of any Subordinated Debt (other than a distribution of Reorganization Subordinated Securities).

(b) Any Distribution, whether in cash, property, capital stock or obligations, which may be payable or deliverable in respect of the Subordinated Debt (other than a distribution of Reorganization Subordinated Securities) shall be paid or delivered directly to the Senior Creditors until all Senior Debt shall have been Paid in Full. The Subordinated Creditor irrevocably authorizes, empowers and directs any debtor, debtor in possession, receiver, trustee, liquidator, custodian, conservator or other Person having authority, to pay or otherwise deliver all such Distributions to the Senior Creditors until the Senior Debt is Paid in Full.

(c) The Subordinated Creditor agrees not to initiate, prosecute or participate in any claim, action or other proceeding challenging the enforceability, validity, perfection or priority of the Senior Debt or any liens and security interests or guaranties securing the Senior Debt. The Senior Creditors agree not to initiate, prosecute or participate in any claim, action or other proceeding challenging the enforceability, validity, perfection or priority (other than priority vis-a-vis the Senior Debt) of the Subordinated Debt or any liens and security interests or guaranties securing the Subordinated Debt (to the extent such liens, security interests and guaranties are permitted herein).

(d) The Subordinated Creditor hereby irrevocably authorizes, empowers and appoints the Senior Creditors as its agents and attorneys-in-fact to execute, verify, deliver and file any proofs of claim in respect of the Subordinated Debt in connection with an Insolvency Proceeding upon the failure of the Subordinated Creditor to do so prior to 10 days before the expiration of the time to file any such proof of claim; provided, that the Senior Creditors shall have no obligation to execute, verify, deliver and/or file any such proof of claim; provided, further, that the Senior Creditors shall provide to the Subordinated Creditor a copy of any such proof of claim filed by them promptly after making such filing. The Subordinated Creditor shall have the sole and exclusive right to vote its claims in any Insolvency Proceeding.

(e) The Senior Debt shall continue to be treated as Senior Debt and the provisions of this Agreement shall continue to govern the relative rights and priorities of the Senior Creditors and the Subordinated Creditor even if all or part of the Senior Debt or the security interests securing the Senior Debt are subordinated, set aside, avoided, invalidated or disallowed in connection with any such Insolvency Proceeding or otherwise (except to the extent that a court of competent jurisdiction pursuant to a final, non-appealable order, equitably subordinates pursuant to §510(c) of the Bankruptcy Code, sets aside, avoids or disallows any part or all the Senior Debt or the security interests securing the Senior Debt based on any Senior Creditor's conduct occurring on or after the date of this Agreement), and this Agreement shall be reinstated if at any time any payment of any of the Senior Debt is rescinded or must otherwise be returned by any Senior Creditor or any representative thereof.

(f) The Subordinated Creditor waives any marshalling rights with respect to the Senior Creditors in any Insolvency Proceeding or any other proceeding under the Bankruptcy Code.

(g) Notwithstanding the foregoing provisions of this Section 2.1, the Company may pay and deliver to the Subordinated Creditor, and the Subordinated Creditor shall be entitled to receive and retain, any Reorganization Subordinated Securities.

The out-of-court readjustment, arrangement, composition or other workout of the Company shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 2.1.

2.2 Subordinated Debt Payment Restrictions.

(a) Notwithstanding the terms of the Subordinated Debt Documents, the Company hereby agrees that it may not make, and the Subordinated Creditor hereby agrees that it will not accept, any Distribution with respect to the Subordinated Debt until the Senior Debt is Paid in Full, other than Permitted Subordinated Debt Payments.

(b) The Company shall, immediately upon the occurrence thereof, notify the Subordinated Creditor of any Senior Default and the subsequent waiver or cure thereof, provided that, the failure to provide such notice shall not have any effect on the payment restrictions contained in this Section 2.2.

(c) The foregoing provisions of this Section 2.2 shall not apply to any payment with respect to which Section 2.1 hereof would be applicable.

2.3 Standstill.

(a) Until the Senior Debt is Paid in Full, the Subordinated Creditor shall not, without the prior written consent of the Senior Creditors, take any Enforcement Action with respect to the Subordinated Debt, until the earliest to occur of the following:

(i) acceleration of the Senior Debt;

(ii) the occurrence of an Insolvency Proceeding with respect to the Company; or

(iii) the date of the institution by the Senior Creditors of any foreclosure proceedings against the Company or the commencement by the Senior Creditors of any judicial, arbitral or other proceeding or legal action of any kind to collect the Senior Debt.

(b) Notwithstanding anything contained herein to the contrary, if following the acceleration of the Senior Debt by the Senior Creditors such acceleration is rescinded (whether or not any existing Senior Default has been cured or waived), then all Enforcement Actions taken by the Subordinated Creditor shall likewise be rescinded if such Enforcement Action is based solely on Section 2.3(a)(i) and such rescission can be made without prejudice to the ability of the Subordinated Creditor to exercise such Enforcement Action at a later date if permitted by the terms of this Agreement.

(c) Notwithstanding the foregoing or anything to the contrary contained in this Agreement or in any of the Subordinated Debt Documents, subject to the provisions of Section 2.1, the Subordinated Creditor may file proofs of claim against the Company, vote such claims in any Insolvency Proceeding involving such Person, and take other actions not in contravention of this Agreement during any Insolvency Proceeding involving the Company.

2.4 Turnover. If any payment or Distribution of any character, whether in cash, securities or other property, shall be received by the Subordinated Creditor in contravention of any of the terms of this Agreement, such payment or Distribution shall be received in trust for the benefit of the Senior Creditors and shall forthwith be paid over or delivered and transferred to the Senior Creditors for application to the payment of the Senior Debt then remaining unpaid, until all of the Senior Debt is Paid in Full.

2.5 Rights of Senior Creditors. The provisions of this Agreement shall be deemed a continuing offer to all Senior Creditors to act in reliance on such provisions (but no such reliance shall be required to be proven to receive the benefits hereof) and may be enforced by the Senior Creditors, and no right of any present or future holder of any Senior Debt to enforce subordination as provided in this Agreement shall be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act by any Senior Creditor (except to the extent that a court of competent jurisdiction pursuant to a final, non-appealable order, equitably subordinates, pursuant to §510(c) of the Bankruptcy Code, any part or all the Senior Debt or the security interests securing the Senior Debt based on a Senior Creditor's conduct occurring on or after the date of this Agreement), or by any non-compliance by the Company with the terms, provisions and covenants of the Subordinated Debt Documents. Without in any way limiting the generality of the foregoing, the Senior Creditors may, subject in all cases to Section 3.1, at any time and from time to time, without the consent of or notice to the Subordinated Creditor, and without impairing or releasing the subordination provided in this Agreement or the obligations hereunder of the Subordinated Creditor to the Senior Creditors, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, or waive defaults under Senior Debt, or otherwise amend or supplement in any manner Senior Debt or any instrument evidencing the same or any agreement under which Senior Debt is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged or mortgaged to secure or otherwise securing Senior Debt; (iii) release any Person liable in any manner for the payment or collection of Senior Debt; and (iv) exercise or refrain from exercising any rights against the Company and any other Person, including any guarantor or surety.

2.6 Sale, Transfer or other Disposition of Subordinated Debt. The Subordinated Creditor shall not sell, assign, pledge, dispose of or otherwise transfer all or any portion of the Subordinated Debt or any Subordinated Debt Document.

2.7 Legends. Until the termination of this Agreement in accordance with Section 15 hereof, the Subordinated Creditor will cause to be clearly, conspicuously and prominently inserted on the face of the Subordinated Credit Agreement and any replacements or renewals thereof, the following legend:

> THIS SECURED REVOLVING LINE OF CREDIT AGREEMENT AND THE INDEBTEDNESS AND OBLIGATIONS EVIDENCED HEREBY ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THAT CERTAIN SUBORDINATION AND INTERCREDITOR AGREEMENT (AS AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME, THE "SUBORDINATION AGREEMENT") DATED AS OF APRIL 9, 2025 BETWEEN, AMONG OTHERS, MBB ENERGY, LLC, AS SUBORDINATED CREDITOR (AS DEFINED IN THE SUBORDINATION AGREEMENT), AND SCOTT MASKIN AND JAMES BRENNAN, AS SENIOR CREDITORS (AS DEFINED IN THE SUBORDINATION AGREEMENT); AND EACH PARTY TO THIS SECURED REVOLVING LINE OF CREDIT AGREEMENT, BY ITS ACCEPTANCE HEREOF, SHALL BE BOUND BY THE PROVISIONS OF THE SUBORDINATION AGREEMENT.

3. [Reserved.]

4. Representations and Warranties.

4.1 Representations and Warranties of Subordinated Creditor. The Subordinated Creditor severally (and not jointly and severally) represents and warrants to the Senior Creditors as to itself only, that as of the date hereof: (a) such the Subordinated Creditor has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (b) the execution of this Agreement by the Subordinated Creditor will not require any consent or approval which has not been obtained; (c) this Agreement is the legal, valid and binding obligation of the Subordinated Creditor, enforceable against the Subordinated Creditor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles; (d) the Subordinated Creditor is the sole owner, beneficially and of record, of the Subordinated Note; and (e) the Subordinated Note held by the Subordinated Creditor is a secured obligation of the Company.

4.2 Representations and Warranties of Senior Creditors. Each Senior Creditor severally (and not jointly and severally) represents and warrants to the Subordinated Creditor as to itself only, that as of the date hereof: (a) such Senior Creditor has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (b) the execution of this Agreement by such Senior Creditor will not require any consent or approval which has not been obtained; (c) this Agreement is the legal, valid and binding obligation of such Senior Creditor, enforceable against such Senior Creditor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles; (d) such Senior Creditor is the sole owner, beneficially and of record, of the Senior Note and the Contingent Note; and (e) the Senior Note and the Contingent Note, in each case held by the Senior Creditors, are secured obligations of the Company.

5. Subrogation. Upon Payment in Full of the Senior Debt, the Subordinated Creditor shall be subrogated to the rights of the Senior Creditors to receive payments or distributions of assets of the Company made on the Senior Debt until the Subordinated Debt shall be Paid in Full, and, for the purposes of such subrogation, no payments to the Senior Creditors of any cash, property, stock or obligations to which the Subordinated Creditor would be entitled except for the provisions of Section 2 above shall, as between the Company, its creditors (other than the Senior Creditors) and the Subordinated Creditor, be deemed to be a payment by the Company to or on account of the Senior Debt.

6. Modification. Any modification or waiver of any provision of this Agreement, or any consent to any departure by any party from the terms hereof, shall not be effective in any event unless the same is in writing and signed by the Subordinated Creditor, and then such modification, waiver or consent shall be effective only in the specific instance and for the specific purpose given. Any notice to or demand on any party hereto in any event not specifically required hereunder shall not entitle the party receiving such notice or demand to any other or further notice or demand in the same, similar or other circumstances unless specifically required hereunder.

7. Further Assurances. Each party to this Agreement promptly will execute and deliver such further instruments and agreements and do such further acts and things as may be reasonably requested in writing by any other party hereto that may be necessary or desirable in order to effect fully the purposes of this Agreement.

8. Notices. Unless otherwise provided in this Agreement, all notices or demands provided for hereunder shall be in writing (including by email). All such written notices shall be mailed or delivered to the applicable address or electronic mail address, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

If to the Subordinated Creditor, to its address set forth below:

MBB Energy, LLC
40 Grassmere Avenue
Oakdale, New York 11769
Attention: Scott Maskin
cc: Vice President and Corporate Counsel

If to any Senior Creditor, to its respective address set forth below:

Scott Maskin
40 Grassmere Avenue
Oakdale, NY 11769
Email: smaskin@sunation.com

and

James Brennan
8144 Scarletbush Drive
Sarasota, FL 34240
Email: Jim@sunation.com

with a copy to:

Michael Sepe, Esq.
41 Front Street, 2nd Floor
Rockville Centre, NY 11570

If to the Company:

SUNation Energy, Inc.
171 Remington Boulevard
Ronkonkoma, NY 11779
Attention: Kristin Hlavka

with a copy to:

Rimon P.C.
100 Jericho Quadrangle, Suite 300
Jericho, NY 11753
Attention: Anthony C. Acampora and Ted Ghorra

or in any case, to such other address as the party addressed shall have previously designated by written notice to the serving party, given in accordance with this Section 8. All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto; (B) if delivered by mail, five Business Days after deposit in the mails, postage prepaid; (C) if delivered by overnight courier, one Business Day after delivery to such courier and (D) if delivered by electronic mail, when delivered. In no event shall a voice mail message be effective as a notice, communication or confirmation hereunder.

9. Successors and Assigns; Additional Obligors. This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns of the Senior Creditors, the Subordinated Creditor and the Company. To the extent permitted under the relevant Senior

Debt Documents, any Senior Creditor may, from time to time, without notice to the Subordinated Creditor, assign or transfer any or all of its Senior Debt or any interest therein to any Person (other than the Company or any Affiliate of the Company) and, notwithstanding any such assignment or transfer, or any subsequent assignment or transfer, such Senior Debt shall, subject to the terms hereof, be and remain Senior Debt for purposes of this Agreement, and every permitted assignee or transferee of any of the Senior Debt or of any interest therein shall, to the extent of the interest of such permitted assignee or transferee in the Senior Debt, be entitled to rely upon and be the third party beneficiary of the subordination provided under this Agreement and shall be entitled to enforce the terms and provisions hereof to the same extent as if such assignee or transferee were initially a party hereto.

10. Relative Rights. This Agreement shall define the relative rights of the Senior Creditors and the Subordinated Creditor. Nothing in this Agreement shall (a) impair, as between the Company under any of the Senior Debt Documents and the Senior Creditors party thereto, and as between the Company under the Subordinated Debt Documents and the Subordinated Creditor, the obligation of the Company with respect to the payment of the Senior Debt and the Subordinated Debt in accordance with their respective terms or (b) affect the relative rights of the Senior Creditors or the Subordinated Creditor with respect to any other creditors of the Company.

11. Conflict. In the event of any conflict between any term, covenant or condition of this Agreement and any term, covenant or condition of any of the Senior Debt Documents or the Subordinated Debt Documents, the provisions of this Agreement shall control and govern; provided that, notwithstanding the foregoing, for the avoidance of doubt, the failure of the Company to comply with the provisions of the Subordinated Credit Agreement by reason of the operation of any provision of this Agreement shall not be construed as preventing the occurrence of a breach, "Default" and/or "Event of Default" under and as defined in the Subordinated Credit Agreement.

12. Headings and Defined Terms. The section headings used in this Agreement are for convenience only and shall not affect the interpretation of any of the provisions hereof. The meanings of defined terms used herein are equally applicable to the singular and plural forms of the defined terms.

13. Counterparts. This Agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which when so executed shall be an original but all the counterparts shall together constitute one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Any signature to this Agreement may be delivered by facsimile, electronic mail (including ".pdf", ".tif" or similar format) or other electronic transmission and shall be effective to the same extent as delivery of a manually executed original counterpart hereof. The parties hereto agree to electronic contracting and electronic signatures with respect to this letter. The words "execution", "signed", "signature" and words of like import in this letter shall be deemed to include Electronic Signatures (as defined below), deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be. "**Electronic Signature**" means any electronic symbol or process attached to, or associated with, any contract or other record and adopted by a person with the intent to sign, authenticate or accept such contract or record.

14. Severability. In the event that any provision of this Agreement is deemed to be invalid, illegal or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court or governmental authority, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby, and the affected provision shall be modified to the minimum extent permitted by law so as most fully to achieve the intention of this Agreement.

15. Continuation of Subordination; Termination of Agreement. This Agreement and the obligations of the Subordinated Creditor hereunder shall remain in full force and effect until the Payment in Full of the Senior Debt after which this Agreement shall terminate without further action on the part of the parties hereto; provided that this Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Senior Debt is rescinded or must otherwise be returned by any Senior Creditor upon the insolvency, bankruptcy, or reorganization of the Company or otherwise, all as though such payment had not been made, and any distribution received by such Subordinated Creditor with respect to the Subordinated Debt at any time after the date of the payment that is so recovered, whether pursuant to the right of subrogation provided for in this Agreement or otherwise, shall be subject to Section 2.4.

16. Applicable Law. This Agreement and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement and the transactions contemplated hereby shall be governed by, and construed in accordance with, the law of the State of New York, without regard to conflicts of law principles.

Consent to Jurisdiction. Each of the parties hereto irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against any other party hereto in any way relating to this Agreement or the transactions relating hereto, in any forum other than the courts of the State of New York sitting in New York County, and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Senior Creditor may otherwise have to bring any action or proceeding relating to the enforcement of its security interests in any Collateral securing the Senior Debt against the Subordinated Creditor, or the Company or any of their respective properties in the courts of any applicable jurisdiction in which such Collateral is located. Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any court referred to herein. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 8. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

17. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

18. No Third Party Beneficiaries. This Agreement is for the sole benefit of the Subordinated Creditor and the Senior Creditors. There are no third-party beneficiaries except to the extent expressly provided by Section 9 hereof.

19. Subordination Agreement. This Agreement shall constitute a subordination agreement within the meaning of Section 510(a) of the Bankruptcy Code. This Agreement shall be applicable both before and after the filing of any petition by or against any Person under the Bankruptcy Code and shall be applicable both before and after the commencement of any other Insolvency Proceeding. The relative rights of the parties hereto, and the rights of such parties in or to Distributions shall continue after the filing of such petition, or the commencement of any other Insolvency Proceeding, on the same basis as prior thereto.

20. Specific Performance. The Senior Creditors and the Subordinated Creditor may demand specific performance of this Agreement, and the Subordinated Creditor and the Senior Creditors waive any defense based on the adequacy of a remedy at law and any other defense that might be asserted to bar the remedy of specific performance in any action brought by the Subordinated Creditor or any of the Senior Creditors.

21. Several Obligations of Senior Creditors, Etc. The rights and obligations of the Senior Creditors are several and not joint and several. No Senior Creditor shall be liable directly or indirectly, on account of any act or omission of any other Senior Creditor.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

SENIOR CREDITORS:

Scott Maskin

____

James Brennan

____

SUBORDINATED CREDITOR:

MBB ENERGY, LLC

By: ___________________________________
Name:
Title:

ACKNOWLEDGED AND AGREED:

COMPANY:

SUNATION ENERGY, INC.

By ___________________________________
Name:
Title:

Exhibit 21

SUBSIDIARIES OF SUNATION ENERGY, INC.

Subsidiaries	Jurisdiction of Incorporation
Austin Taylor Communications, Ltd.	United Kingdom
JDL Technologies, Inc.	Minnesota
Ecessa Corporation	Minnesota
Pineapple Energy LLC	Delaware
Hawaii Energy Connection, LLC	Hawaii
SUNation Solar Systems, Inc.	New York
SUNation Commercial, Inc.	New York
SUNation Service, LLC	New York

All these subsidiaries are 100%-owned directly by SUNation Energy, Inc. The financial statements of all these subsidiaries are included in the consolidated financial statements of SUNation Energy, Inc.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3MEF (File No. 333-286412), Forms S-3 (File Nos. 333-262893 and 333-267066) and Forms S-8 (File Nos. 333-264526; 333-267815; 333-268390; 333-268777; and 333-268778) of SUNation Energy, Inc. and subsidiaries (the Company) of our report dated April 15, 2025, with respect to the Company's consolidated financial statements as of and for the years ended December 31, 2024 and 2023, which includes an explanatory paragraph as to the Company's ability to continue as a going concern and appears in this Annual Report on Form 10-K of the Company for the year ended December 31, 2024.

/s/ UHY LLP

Melville, NY
April 15, 2025

Exhibit 31.1

Certifications

I, Scott Maskin certify that:

1. I have reviewed this annual report on Form 10-K 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 function):

    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: April 15, 2025

Certifications

I, James Brennan certify that:

1. I have reviewed this annual report on Form 10-K 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 function):

   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/ James Brennan
James Brennan
Chief Financial Officer

Date: April 15, 2025

Exhibit 32

CERTIFICATION PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, we the undersigned Chief Executive Officer and Chief Financial Officer, respectively of SUNation Energy, Inc. (the "Company") hereby certify:

(1) That the accompanying Annual Report of the Company on Form 10-K for the period ended December 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

	/s/ Scott Maskin
	Scott Maskin
Date: April 15, 2025	Chief Executive Officer
	/s/ James Brennan
	James Brennan
Date: April 15, 2025	Chief Financial Officer