UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2025**

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

For the transition period from ______to _____

Commission File Number: 001-31588

SUNATION ENERGY, INC.

(Exact name of registrant as specified in its charter)

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

(952) 996-1674

Registrant's telephone number, including area code

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

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.05 per share	SUNE	The Nasdaq Stock Market LLC

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

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

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Outstanding at May 12, 2025	3,406,614

SUNATION ENERGY, INC.

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

ASSETS

	March 31 2025	December 31 2024
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,447,329	$ 839,268
Restricted cash and cash equivalents	292,901	312,080
Trade accounts receivable, less allowance for credit losses of $215,738 and $240,817, respectively	3,927,676	4,881,094
Inventories, net	2,512,552	2,707,643
Related party receivables	23,739	23,471
Prepaid expenses	1,383,296	1,587,464
Costs and estimated earnings in excess of billings	692,821	560,648
Other current assets	264,875	198,717
TOTAL CURRENT ASSETS	10,545,189	11,110,385
PROPERTY, PLANT AND EQUIPMENT, net	1,164,610	1,238,898
OTHER ASSETS:		
Goodwill	17,443,869	17,443,869
Operating lease right of use asset	3,600,546	3,686,747
Intangible assets, net	11,661,458	12,220,833
Other assets, net	12,000	12,000
TOTAL OTHER ASSETS	32,717,873	33,363,449
TOTAL ASSETS	$ 44,427,672	$ 45,712,732
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 6,514,331	$ 8,032,769
Accrued compensation and benefits	817,585	796,815
Operating lease liability	329,793	321,860
Accrued warranty	183,375	350,013
Other accrued liabilities	1,375,025	1,055,995
Accrued loss contingencies	342,216	1,300,000
Income taxes payable	19,686	5,071
Refundable customer deposits	1,426,398	1,870,173
Billings in excess of costs and estimated earnings	298,173	444,310
Contingent value rights	292,901	312,080
Earnout consideration	2,110,896	2,500,000
Contingent forward contract	5,406,033	—
Current portion of loans payable	351,249	3,139,113
Current portion of loans payable - related party	806,154	6,951,563
Embedded derivative liability	—	82,281
TOTAL CURRENT LIABILITIES	20,273,815	27,162,043
LONG-TERM LIABILITIES:		
Loans payable and related interest	1,248,397	6,531,650
Loans payable and related interest - related party	4,712,780	—
Operating lease liability	3,385,783	3,471,623
TOTAL LONG-TERM LIABILITIES	9,346,960	10,003,273
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY		
Series A Convertible preferred stock, par value $1.00 per share; 3,000,000 shares authorized; no shares issued and outstanding, respectively	—	—
Series D preferred stock, par value $1.00 per share; 3,000,000 shares authorized; 1 and no shares issued and outstanding, respectively	1	—

Common stock, par value $0.05 per share; 125,000 shares authorized;				
81,391 and 9,343 shares issued and outstanding, respectively(1)		4,070		467
Additional paid-in capital(1)		61,198,304		51,445,995
Accumulated deficit		(46,395,478)		(42,899,046)
TOTAL STOCKHOLDERS' EQUITY		14,806,897		8,547,416
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	44,427,672	$	45,712,732

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

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

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

	Three Months Ended March 31	
	2025	2024
Sales	$ 12,636,638	$ 13,219,197
Cost of sales	8,205,313	8,413,749
Gross profit	4,431,325	4,805,448
Operating expenses:		
Selling, general and administrative expenses	6,039,298	6,629,027
Amortization expense	559,375	709,375
Fair value remeasurement of SUNation earnout consideration	—	(350,000)
Total operating expenses	6,598,673	6,988,402
Operating loss	(2,167,348)	(2,182,954)
Other (expense) income:		
Investment and other income	48,165	45,841
Gain on sale of assets	—	6,118
Fair value remeasurement of warrant liability	—	3,728,593
Fair value remeasurement of contingent forward contract	109,492	—
Fair value remeasurement of contingent value rights	19,179	376,085
Financing fees	(576,594)	—
Interest expense	(571,240)	(764,870)
Loss on debt extinguishment	(343,471)	—
Other (expense) income, net	(1,314,469)	3,391,767
Net (loss) income before income taxes	(3,481,817)	1,208,813
Income tax expense	14,615	6,162
Net (loss) income	(3,496,432)	1,202,651
Deemed dividend on extinguishment of Convertible Preferred Stock	—	(751,125)
Deemed dividend on modification of PIPE Warrants	—	(10,571,514)
Net loss attributable to common shareholders	$ (3,496,432)	$ (10,119,988)
Basic net loss per share[1]	$ (106.71)	$ (38,414.84)
Diluted net loss per share[1]	$ (106.71)	$ (38,414.84)
Weighted Average Basic Shares Outstanding[1]	32,766	263
Weighted Average Dilutive Shares Outstanding[1]	32,766	263

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

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

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

For the Three Months Ended March 31, 2025

	Redeemable Convertible Preferred Stock		Series A Convertible Preferred Stock		Series D Preferred Stock		Common Stock		Additional Paid-in Capital[1]	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares[1]	Amount[1]			
BALANCE AT DECEMBER 31, 2024	—	$ —	—	$ —	—	$ —	9,343	$ 467	$ 51,445,995	$ (42,899,046)	$ 8,547,416
Net loss	—	—	—	—	—	—	—	—	—	(3,496,432)	(3,496,432)
Issuance of common stock under Equity Incentive Plan	—	—	—	—	—	—	4	—	—	—	—
Issuance of common stock under registered direct offering, net of issuance costs	—	—	—	—	—	—	9,825	492	8,481,400	—	8,481,892
Issuance of common stock under pre-funded warrant exercises	—	—	—	—	—	—	55,392	2,770	8,308	—	11,078
Issuance of Series D Preferred Stock	—	—	—	—	1	1	—	—	(1)	—	—
Issuance of common stock on At-the-Market sales, net of issuance costs	—	—	—	—	—	—	762	37	351,335	—	351,372
Issuance of common stock on settlement of loss contingencies	—	—	—	—	—	—	6,065	304	880,452	—	880,756
Share based compensation	—	—	—	—	—	—	—	—	30,815	—	30,815
BALANCE AT MARCH 31, 2025	—	$ —	—	$ —	1	$ 1	81,391	$ 4,070	$ 61,198,304	$ (46,395,478)	$ 14,806,897

For the Three Months Ended March 31, 2024

	Redeemable Convertible Preferred Stock		Series A Convertible Preferred Stock		Series D Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares(1)	Amount(1)	Capital(1)	Deficit	Total
BALANCE AT DECEMBER 31, 2023	—	$ —	28,000	$ 28,000	—	$ —	68	$ 3	$ 47,490,197	$ (27,081,411)	$ 20,436,789
Net loss	—	—	—	—	—	—	—	—	—	1,202,651	1,202,651
Issuance of common stock under Employee Stock Purchase Plan	—	—	—	—	—	—	—	—	1,040	—	1,040
Issuance of common stock under Equity Incentive Plan	—	—	—	—	—	—	1	—	—	—	—
Issuance of common stock under registered direct offering, net of issuance costs	—	—	—	—	—	— —	18	— 1	918,987	—	918,988
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	(7,403)	(8,386,387)	—	—	—	— —	343	— 17	8,386,370	—	8,386,387
Share based compensation	—	—	—	—	—	—	—	—	197,306	—	197,306
Other share retirements	—	—	—	—	—	—	—	—	(31,037)	28,172	(2,865)
BALANCE AT MARCH 31, 2024	20,597	$ 23,333,613	—	$ —	—	$ —	430	$ 21	$ 14,678,643	$ (25,850,588)	$ (11,171,924)

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

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

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

	Three Months Ended March 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (3,496,432)	$ 1,202,651
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	627,315	801,792
Share based compensation	30,815	197,306
Credit loss provision	(25,079)	38,501
Fair value remeasurement of earnout consideration	—	(350,000)
Fair value remeasurement of warrant liability	—	(3,728,593)
Fair value remeasurement of contingent forward contract	(109,492)	—
Fair value remeasurement of contingent value rights	(19,179)	(376,085)
Loss on extinguishment of debt	343,471	—
Gain on sale of assets	—	(6,118)
Interest and accretion expense	571,241	764,870
Changes in assets and liabilities:		
Trade accounts receivable	978,228	14,894
Inventories	195,091	641,301
Income taxes	14,615	6,162
Other assets, net	12,186	(184,227)
Accounts payable	(941,847)	(684,194)
Accrued compensation and benefits	20,770	(48,386)
Customer deposits	(443,775)	(293,877)
Other accrued liabilities	(62,478)	(191,396)
Accrued interest	(1,098,799)	(453,881)
Net cash used in operating activities	(3,403,349)	(2,649,280)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	—	(5,594)
Proceeds from the sale of property, plant and equipment	—	6,118
Net cash provided by investing activities	—	524
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments against loans payable	(9,401,939)	(372,299)
Payments related to equity issuance costs	(1,568,099)	(81,012)
Proceeds from the issuance of common stock and pre-funded warrants under registered direct offering	9,473,398	1,000,000
Proceeds from the issuance of common stock on the exercise of pre-funded warrants	11,078	—
Proceeds from the issuance of contingent forward contract	5,515,525	—
Proceeds from the issuance of common stock under at-the-market offering	351,372	—
Proceeds from issuance of common stock, net of shares withheld	—	1,040
Payment of contingent consideration related to acquisition	(389,104)	—
Purchase of common stock	—	(2,865)
Net cash provided by financing activities	3,992,231	544,864
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	588,882	(2,103,892)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	1,151,348	5,396,343
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	$ 1,740,230	$ 3,292,451
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 1,077,033	$ 416,504
NONCASH FINANCING AND INVESTING ACTIVITIES:		
Loss on extinguishment of debt	(343,471)	—

Issuance of common stock for the settlement of loss contingencies	880,756	—
Deemed dividend on Convertible Preferred Stock and PIPE Warrants	—	11,322,639
Conversion of redeemable convertible preferred stock to common stock	—	8,386,387

The accompanying notes are an integral part of the condensed 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.

Reverse Stock Splits

June 2024 Reverse Stock Split

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

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

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

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

October 2024 Reverse Stock Split

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

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

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

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

April 2025 Reverse Stock Split

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

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

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

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

Effective as of the same time as the June 2024 Reverse Stock Split, October 2024 Reverse Stock Split, and April 2025 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 in this Quarterly Report on Form 10-Q 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:

	March 31, 2024		
	As Previously Reported	Impact of Reverse Stock Split	As Adjusted
Common Stock shares	64,154,286	(64,153,856)	430
Common Stock amount	$ 3,207,714	$ (3,207,693)	$ 21
Additional Paid-in-Capital	$ 11,470,950	$ 3,207,693	$ 14,678,643

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

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

	Three Months Ended March 31, 2024		
	As Previously Reported	Impact of Reverse Stock Split	As Adjusted
Weighted average shares outstanding - basic and diluted	39,410,206	(39,409,943)	263
Loss per share from continuing operations - basic and diluted	$ (0.26)	$ (38,414.58)	$ (38,414.84)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Principles of Consolidation

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

Use of Estimates

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

Cash, Restricted Cash and Cash Equivalents

For purposes of the condensed consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company may invest in short-term money market funds that are not considered to be bank deposits and are not insured or guaranteed by the federal deposit insurance company ("FDIC") or other government agency. These money market funds seek to preserve the value of the investment at $1.00 per share; however, it is possible to lose money investing in these funds. Total cash equivalents invested in short-term money market funds was $370,986 and $368,138 as of March 31, 2025 and December 31, 2024, respectively. The $292,901 of restricted cash and cash equivalents on the balance sheet as of March 31, 2025 are funds that can only be used to support the legacy CSI business, and will be distributed to holders of the Company's contingent value rights (“CVRs”) and cannot be used to support the working capital needs of the SUNation Energy business.

Accounts Receivable, Net

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

Inventories, Net

Inventories, which consist primarily of materials and supplies used in the installation of solar systems, are stated at the lower of cost or net realizable value, with costs computed on a weighted average cost basis. The Company periodically reviews its inventories for excess and obsolete items and adjusts carrying costs to estimated net realizable values when they are determined to be less than cost. The inventory reserve was $215,584 and $226,439 at March 31, 2025 and December 31, 2024, respectively.

Property, Plant and Equipment, net

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

Goodwill and Other Intangible Assets, net

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

Recoverability of Long-Lived Assets and Intangible Assets

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

Mezzanine Equity

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

Warrants

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

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

Derivative Liabilities

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

Revenue Recognition

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

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

Gross Excise Tax

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

Cost of Sales

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

Share-Based Compensation

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

Warranty

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

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

Segment Information

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

Net Loss Per Share

Basic net loss attributable to common shareholders per common share is based on the weighted average number of common shares outstanding during each period. Diluted net loss attributable to common shareholders per common share adjusts for the dilutive effect of potential common shares outstanding. The Company had $11,322,639 in deemed dividends during the three months ended March 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 three months ended March 31, 2025 and March 31, 2024. The Company calculates the dilutive effect of outstanding warrants and unvested shares using the treasury stock method and the dilutive effect of outstanding preferred shares and convertible debt using the if-converted method. There were no options or deferred stock awards excluded from the calculation of diluted earnings per share because there were no outstanding options or deferred stock awards as of both March 31, 2025 and 2024. Warrants totaling 0 and 1,570 and restricted stock units totaling 5 and 6 would have been excluded from the calculation of diluted earnings per share for the three months ended March 31, 2025 and 2024, respectively, even if there had not been a net loss in those periods, because the exercise price was greater than the average market price of common stock during the period.

Accounting Standards Issued

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

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

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which expands disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. This ASU is effective for fiscal periods beginning after December 15, 2024, with early adoption permitted. The Company 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.

NOTE 3 – REVENUE RECOGNITION

Disaggregation of revenue

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

The following table disaggregates revenue based on type:

	Revenue by Type Three Months Ended March 31			
	SUNation		HEC	
	2025	2024	2025	2024
Residential contracts	$ 7,896,122	$ 8,131,708	$ 2,738,800	$ 3,227,879
Commercial contracts	1,275,888	997,193	—	—
Service revenue	372,544	624,069	353,284	238,348
Software revenue	—	—	—	—
Other	—	—	—	—
	$ 9,544,554	$ 9,752,970	$ 3,092,084	$ 3,466,227

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

	Three Months Ended March 31			
	SUNation		HEC	
	2025	2024	2025	2024
Performance obligations satisfied at a point in time	$ 8,268,666	$ 8,755,777	$ 3,092,084	$ 3,466,227
Performance obligations satisfied over time	1,275,888	997,193	—	—
	$ 9,544,554	$ 9,752,970	$ 3,092,084	$ 3,466,227

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 $692,821 and $560,648 at March 31, 2025 and December 31, 2024, respectively. Contract liabilities were $1,724,571 and $2,314,483 at March 31, 2025 and December 31, 2024, respectively. During the three months ended March 31, 2025, $0 in contract assets and $1,681,228 within contract liabilities as of December 31, 2024 has been recognized within cash and revenue, respectively.

NOTE 4 – CONTRACTS IN PROGRESS

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

	March 31, 2025	December 31, 2024
Billings to date	$ 577,002	$ 3,055,354
Costs incurred on uncompleted contracts	202,295	1,120,213
Estimated earnings	76,534	1,490,831
Cost plus estimated earnings	278,829	2,611,044
Billings in excess of costs plus estimated earnings on uncompleted contracts	$ 298,173	$ 444,310

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

	March 31, 2025	December 31, 2024
Costs incurred on uncompleted contracts	$ 2,575,623	$ 1,233,151
Estimated earnings	2,419,974	1,219,234
Total costs and estimated earnings	4,995,597	2,452,385
Billings to date	4,302,776	1,891,737
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 692,821	$ 560,648

NOTE 5 –INTANGIBLE ASSETS

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

		March 31, 2025			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Impairment loss	Net
Tradenames & trademarks	8 years	$ 17,900,000	$ (6,238,542)	$ —	$ 11,661,458
Developed technology	4 years	2,400,000	(1,650,000)	(750,000)	—
		$ 20,300,000	$ (7,888,542)	$ (750,000)	$ 11,661,458

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

Amortization expense on these identifiable intangible assets was $559,375 and $709,375 during the three months ended March 31, 2025 and 2024, respectively. The estimated future amortization expense for identifiable intangible assets during the next fiscal years is as follows:

Quarter Ending and Year Ending December 31:	
Q2 - Q4 2025	$ 1,678,125
2026	2,237,500
2027	2,237,500
2028	2,237,500
2029	2,237,500
Thereafter	1,033,333
Total	$ 11,661,458

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Loan Payable

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

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

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

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

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

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

Interest and accretion expense was $100,450 and $202,829 for three months ended March 31, 2025 and 2024, respectively. The loan was collateralized by all of Pineapple Energy LLC’s personal property and assets.

Decathlon Fixed Loan

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

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

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

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

The Company recorded interest expense of $232,866 and $389,457 for the three months ended March 31, 2025 and 2024, respectively.

SUNation Long-Term Note

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

On March 13, 2025, the Company paid the previously unpaid interest totaling $710,897, after the Decathlon debt was paid in full. As noted above, the Company paid the Decathlon debt in full on March 3, 2025 and no longer had to receive written consent to make these payments. On April 10, 2025, the Long-Term Note was amended and restated whereby the principal amount of $5,486,000 previously due and payable under the original Long-Term Note, together with all accrued and unpaid interest owing thereunder, shall be due and payable on May 1, 2028, and such amended note shall become a senior secured instrument. Principal and interest payments under the amended Long-Term Note shall be payable monthly on the first day of each month commencing on June 1, 2025 for thirty-six consecutive months thereafter.

The balance of Long-Term Note recorded at March 31, 2025 and December 31, 2024 was $5,518,934 and $6,076,978, respectively. Interest and accretion expense related to the notes totaled $152,852 and $152,855 for the three months ended March 31, 2025 and 2024 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 accrued interest on the unpaid principal amount, without deduction for the OID, at an annual rate of 20%; provided that payment in full on the Conduit Maturity Date (as defined below) would satisfy the interest accrual on the loans from initial issuance to the Conduit Maturity Date. The Company may request that Conduit provide 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 had the right, without commitment or obligation, to make such requested loan(s) by advancing 80% percent of the principal thereof. All such loans were secured by a pledge of all of the Company's assets. As a condition to such loan(s), the Company agreed to cause the nomination of a designee of Conduit for election to its Board of Directors.

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

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

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

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

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

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

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

The Company recorded interest and accretion expense of $33,312 and $0 for the three months ended March 31, 2025 and 2024, respectively.

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 of the Company (the “Original MBB Note”). On such date, MBB loaned the principal sum of $500,000 to the Company on an OID basis of 20% and accordingly, MBB advanced the sum of $400,000 to the Company (the “Initial MBB Loan”). The loans due to MBB accrued interest on the unpaid principal amount, without deduction for the OID, at an annual rate of 20%; provided that payment in full on the MBB Maturity Date (as defined below) satisfied the interest accrual on the loans from initial issuance to the Conduit Maturity Date. The Company could 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 had the right, without commitment or obligation, to make such requested loan(s) by advancing 80% percent of the principal thereof. All such loans were secured by a pledge of all of the Company’s assets. MBB has granted Conduit the exclusive right to enforce MBB’s loans on MBB’s behalf.

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

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

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

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

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

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

The Company recorded interest and accretion expense of $34,900 and $0 for the three months ended March 31, 2025 and 2024, respectively.

Equipment Loans

The Company obtains various equipment loan agreements through SUNation. These loans are secured by machinery and equipment and expire at various dates through August 2029 with interest rates ranging from 4.5 to 9.7% per annum. The balance for the equipment loans recorded at March 31, 2025 and December 31, 2024 was $220,656 and $238,266, respectively. Interest expense was $4,577 and $8,968 for the three months ended March 31, 2025 and 2024, respectively.

Promissory Note

Through the SUNation acquisition, the Company acquired a promissory note with a former shareholder and member of SUNation through a buyout agreement. The promissory note includes monthly payments of principal and interest at an annual rate of 3.25%. The promissory note matures on March 1, 2031. The balance for the promissory note recorded at March 31, 2025 and December 31, 2024 was $1,346,274 and $1,409,313, respectively. Interest expense was $11,280 and $13,293 for the three months ended March 31, 2025 and 2024, respectively.

Other Contingencies

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

At December 31, 2024, the Company accrued $1,300,000 for loss contingencies related to certain prior securities issuances. During the first quarter of 2025, the Company settled this obligation by issuing 6,068 shares (1,213,656 shares prior to the April Reverse Stock Split) of common stock and payment of $56,313 in cash. At March 31, 2025 the remaining accrual of $342,216 and is recorded within accrued loss contingencies in the Condensed Consolidated Balance Sheets. The remaining accrual balance was paid in April 2025.

NOTE 7 – RELATED PARTY TRANSACTIONS

Related party receivables

The Company has provided advances to employees resulting in a balance as of March 31, 2025 and December 31, 2024 of $23,739 and $23,471, respectively.

Leases

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

Debt

As of March 31, 2025, the Company only has outstanding related party debt under the SUNation Long-Term Note. The MBB Note was paid in full during the first quarter of 2025. See further information regarding this debt within Note 6, Commitments and Contingencies.

NOTE 8 – SHARE-BASED COMPENSATION

2022 Equity Incentive Plan

On January 24, 2022 the CSI board of directors adopted, and on March 16, 2022 the Company's shareholders approved, the Company's 2022 Equity Incentive Plan ("2022 Plan"), which became effective on March 28, 2022. The 2022 Plan authorizes incentive awards to officers, key employees, non-employee directors, and consultants in the form of options (incentive and non-qualified), stock appreciation rights, restricted stock awards, stock unit awards, and other stock-based awards. Following amendments approved on December 7, 2022 and July 19, 2024, the 2022 Plan authorizes the issuance of up to 67 shares of common stock (10,000,000 prior to the Reverse Stock Splits). At March 31, 2025, 4 shares had been issued under the 2022 Plan, 3 shares were subject to currently outstanding unvested restricted stock units ("RSUs"), and 60 shares were available for grant under future awards.

Inducement Grants

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

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

The following table summarizes the changes in the number of RSUs during the three months ended March 31, 2025:

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

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

Compensation Expense

Share-based compensation expense recognized for the three months ended March 31, 2025 and 2024 was $30,815 and $197,306, respectively. Unrecognized compensation expense related to outstanding RSUs was $65,878 at March 31, 2025 and is expected to be recognized over a weighted-average period of 1.0 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 March 31, 2025, 2 shares remained available for purchase under the ESPP.

NOTE 9 – EQUITY

Series A Preferred Stock

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

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

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

Warrants

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

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

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

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

Series C Preferred Stock

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

Registered Direct Offering

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

At the Market Offering

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

Series D Preferred Stock

On February 26, 2025, the Company entered into a consent and waiver agreement to the loan agreement with Conduit. In accordance therewith, the Company issued one share of Series D Preferred Stock to Conduit as further collateral security for the Conduit Loan. The Series D Preferred Stock was issued in accordance with a Certificate of Designation of Preferences, Rights, and Limitations filed with the State of Delaware on February 27, 2025. In connection with the issuance of the share of Series D Preferred Stock, Conduit granted an irrevocable proxy to the Company to vote such share on an as-converted basis as a single class with the holders of the Company's common stock. 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 was 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 in a first closing consisting of (i) 9,825 shares (1,965,000 shares prior to the April Reverse Stock Split) of common stock, and (ii) pre-funded warrants to purchase up to 55,392 shares (11,078,480 shares prior to the April Reverse Stock Split) of common stock (the "Pre-Funded Warrants), and an aggregate of $5 million in securities in a second closing consisting of (x) 21,739 shares (4,347,826 shares prior to the April Reverse Stock Split) of common stock or Pre-Funded Warrants, (y) series A warrants to purchase up to 86,957 shares (17,391,306 shares prior to the April Reverse Stock Split) of common stock (the "Series A Warrants"), and (z) series B warrants to purchase up to 86,957 shares (17,391,306 shares prior to the April Reverse Stock Split) of common stock (the "Series B Warrants") in a registered direct offering (the "Offering") at a purchase price of $230.00 per share ($1.15 prior to the April Reverse Stock Split) and accompanying warrants or $229.80 per Pre-Funded Warrant ($1.1490 prior to the April Reverse Stock Split) and accompanying warrants. The Series A Warrants will have an exercise price of $345.00 per share ($1.725 per share prior to the April Reverse Stock Split) subject to standard adjustments for dividends, splits and similar events; a one-time adjustment on the date of issuance (as described in the warrants), subject to a floor price described therein; and also subject to adjustment upon a Dilutive Issuance (as described in the warrants), subject to a floor price described therein. The Series B Warrants will have an exercise price of $575.00 per share ($2.875 per share prior to the April Reverse Stock Split) subject to standard adjustments for dividends, splits and similar events; a one-time adjustment on the date of issuance (as described in the warrants), 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 five years from the date of issuance.

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

The first closing of the Offering occurred on February 27, 2025. The Company determined that the second closing of the Offering represents a firm commitment and a contingent forward contract to issue and sell additional shares of common stock or Pre-Funded Warrants and the Series A Warrants and Series B Warrants upon the receipt of approval by the Company's stockholders to approve the issuance of the Series A Warrants, Series B Warrants and the shares of common stock underlying such warrants. The Company determined that the contingent forward contract is a freestanding financial instrument that does not meet the requirements for equity classification due to certain settlement provisions that fail the indexation guidance in ASC 815-40 and meets the definition of a derivative. As a result, the contingent forward contract was recorded as a liability initially at its fair value on the date of issuance and will be subsequently remeasured to fair value on each balance sheet date until the underlying instruments are issued and sold in the second closing of the Offering. The Company determined the initial fair value of the contingent forward contract to be $5,515,525. As of March 31, 2025, the fair value of the contingent forward contract was estimated to be $5,406,033 and was recorded within current liabilities. For the three months ended March 31, 2025, the Company recorded a gain of $109,492 from the change in fair value of the contingent forward contract, which is included in "Other (expense) income, net" in the condensed consolidated statements of operations.

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

Pursuant to the PAA between the Company and Roth, the Company engaged Roth to act as the Company's exclusive placement agent in connection with the Offering. The Company agreed to pay the placement agent a cash fee of 7.5% of the gross proceeds the Company receives under the Purchase Agreement. As of March 31, 2025, the Company had incurred an aggregate of $1,568,099 in placement agent fees and related offering expenses, of which $576,593 were allocated to the contingent forward contract and expensed in Financing Fees, $991,506 were allocated to the shares of common stock and Pre-Funded Warrants issued and sold in the first closing of the Offering and recorded as a reduction to APIC in stockholders' equity.

NOTE 10 – INCOME TAXES

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

The Company's effective income tax rate from continuing operations was (0.4%) for the three months ended March 31, 2025. The effective tax rate differs from the federal tax rate of 21% due to state income taxes and changes in valuation allowances related to deferred tax assets. The Company's effective income tax rate from continuing operations for the three months ended March 31, 2024 was 0.5% and differed from the federal tax rate due to state income taxes and changes in valuation allowances related to deferred tax assets.

NOTE 11 – SEGMENT INFORMATION

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

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

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

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

	SUNation	HEC	Corporate and Other	Total
Three Months Ended March 31, 2025				
Sales	$ 9,544,554	$ 3,092,084	$ —	$ 12,636,638
Cost of sales	5,871,972	2,333,341	—	8,205,313
Gross profit	3,672,582	758,743	—	4,431,325
Operating expenses:				
Selling, general and administrative expenses	3,847,500	976,674	1,215,124	6,039,298
Amortization expense	203,125	356,250	—	559,375
Total operating expenses	4,050,625	1,332,924	1,215,124	6,598,673
Operating loss	(378,043)	(574,181)	(1,215,124)	(2,167,348)
Other income (expenses):				
Investment and other income	7,525	7,276	33,364	48,165
Fair value remeasurement of contingent forward contract	—	—	109,492	109,492
Fair value remeasurement of contingent value rights	—	—	19,179	19,179
Financing fees	—	—	(576,594)	(576,594)
Interest expense	(15,857)	—	(555,383)	(571,240)
Loss on debt extinguishment	—	—	(343,471)	(343,471)
Other (expense) income, net	(8,332)	7,276	(1,313,413)	(1,314,469)
Net loss before income taxes	$ (386,375)	$ (566,905)	$ (2,528,537)	$ (3,481,817)
Depreciation and amortization	$ 251,050	$ 376,265	$ —	$ 627,315
Assets	$ 25,302,335	$ 17,320,441	$ 1,804,896	$ 44,427,672

	SUNation	HEC	Corporate and Other	Total
Three Months Ended March 31, 2024				
Sales	$ 9,752,970	$ 3,466,227	$ —	$ 13,219,197
Cost of sales	5,801,760	2,611,989	—	8,413,749
Gross profit	3,951,210	854,238	—	4,805,448
Operating expenses:				
Selling, general and administrative expenses	3,872,455	1,002,052	1,754,520	6,629,027
Amortization expense	203,125	506,250	—	709,375
Fair value remeasurement of SUNation earnout consideration	—	—	(350,000)	(350,000)
Total operating expenses	4,075,580	1,508,302	1,404,520	6,988,402
Operating loss	(124,370)	(654,064)	(1,404,520)	(2,182,954)
Other income (expenses):				
Investment and other income	4,657	1,807	39,377	45,841
(Loss) gain on sale of assets	—	6,118	—	6,118
Fair value remeasurement of warrant liability	—	—	3,728,593	3,728,593
Fair value remeasurement of contingent value rights	—	—	376,085	376,085
Interest expense	(22,262)	—	(742,608)	(764,870)
Other (expense) income, net	(17,605)	7,925	3,401,447	3,391,767
Net (loss) income before income taxes	$ (141,975)	$ (646,139)	$ 1,996,927	$ 1,208,813
Depreciation and amortization	$ 270,603	$ 530,421	$ 768	$ 801,792
Capital expenditures	$ —	$ 5,594	$ —	$ 5,594
Assets	$ 27,568,483	$ 23,575,775	$ 3,510,099	$ 54,654,357

NOTE 12 – FAIR VALUE MEASUREMENTS

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

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

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

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

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

	March 31, 2025			
	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents:				
Money market funds	$ 370,986	$ —	$ —	$ 370,986
Subtotal	370,986	—	—	370,986
Liabilities:				
Contingent value rights	—	—	(292,901)	(292,901)
Contingent forward contract	—	—	(5,406,033)	(5,406,033)
Earnout consideration	—	(2,110,896)	—	(2,110,896)
Subtotal	—	(2,110,896)	(5,698,934)	(7,809,830)
Total	$ 370,986	$ (2,110,896)	$ (5,698,934)	$ (7,438,844)

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

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

	Three Months Ended March 31, 2025			
	Contingent value rights	Embedded derivative liability	Contingent forward contract	Total
December 31, 2024	$ (312,080)	$ (82,281)	$ —	$ (394,361)
Additions	—	—	(5,515,525)	(5,515,525)
Extinguishment of debt	—	82,281	—	82,281
Fair value adjustments	19,179	—	109,492	128,671
March 31, 2025	$ (292,901)	$ —	$ (5,406,033)	$ (5,698,934)

	Three Months Ended March 31, 2024			
	Contingent value rights	Warrant 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)
Fair value adjustments	376,085	3,728,593	350,000	4,454,678
March 31, 2024	$ (1,314,987)	$ (6,863,627)	$ (3,150,000)	$ (11,328,614)

The estimated fair value of the CVRs as of March 31, 2025 and December 31, 2024 was $292,901 and $312,080, respectively, as noted above. The Company recorded a $19,179 gain on the fair value remeasurement of the CVRs during the three months ended March 31, 2025 and a $376,085 gain on the fair value of the remeasurement of the CVRs during the three months ended March 31, 2024.

The estimated fair value of the contingent forward contract as of March 31, 2025 was $5,406,033, as noted above. The estimated fair value is considered a Level 3 measurement and the fair value of the contingent forward contract is determined using a Monte Carlo simulation. As a result of the fair value remeasurement, the Company recorded a remeasurement gain of $109,492 in the three months ended March 31, 2025. See Note 9, Equity, for further information.

The estimated fair value of earnout consideration related to the acquisition of SUNation as of March 31, 2025 and December 31, 2024 was $2,110,896 and $3,150,000, respectively. The Company paid $389,103 against the earnout consideration during the three months ended March 31, 2025. The $2,110,896 balance at March 31, 2025 is related to the first earnout period and is recorded in current liabilities. See further discussion within Note 14, 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 March 31, 2024. In order to update the fair value of the earnout consideration, the Company utilized a Monte Carlo simulation, which included the following significant assumptions: the expected probability and timing of achievement of milestone events. As a result of the fair value remeasurement, the Company recorded a remeasurement gain of $350,000 during the three months ended March 31, 2024.

As noted in Note 9, 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 gain of $3,728,593 during the three months ended March 31, 2024. All warrants had been settled as of December 31, 2024.

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

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

We record transfers between levels of the fair value hierarchy, if necessary, at the end of the reporting period. There were no transfers between levels during the three months ended March 31, 2025.

NOTE 13 – GOING CONCERN

The Company's financial statements as of March 31, 2025 have been prepared in accordance with GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Based on the Company's current financial position, which includes approximately $0.3 million of restricted cash, cash equivalents and investments that are restricted under the CVR agreement and cannot be used by the Company for its own working capital needs, and the Company's forecasted future cash flows for twelve months beyond the date of issuance of these financial statements, substantial doubt exists around the Company's ability to continue as a going concern for a reasonable period of time. As noted in Note 9, Equity, and Note 6, Commitments and Contingencies, the Company raised capital and satisfied certain outstanding debt obligations during 2025, however there remains uncertainty related to our future cash flows as it relies on the ability to generate enough cash flow from its operating segments to cover the Company's corporate overhead costs.

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

NOTE 14 – SUBSEQUENT EVENTS

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

Offering Second Tranche Closing

On April 3, 2025, the Company received the necessary approval by the Company's stockholders in a specially called stockholder meeting to approve the issuance of the Series A Warrants, Series B Warrants and the shares of common stock underlying such warrants, in addition to other matters. On April 7, 2025, the Company closed the second tranche of its previously announced securities purchase agreement, dated February 27, 2025, with certain institutional investors for the purchase and sale of 21,720 shares (4,347,826 shares prior to the April 2025 Reverse Stock Split) of the Company's common stock (or common stock equivalents in lieu thereof), Series A warrants to purchase up to an aggregate 86,957 shares (17,391,306 shares prior to the April 2025 Reverse Stock Split) of the Company's common stock and Series B warrants to purchase up to an aggregate 86,957 shares (17,391,306 shares prior to the April 2025 Reverse Stock Split) of the Company's common stock at an effective purchase price of $230.00 per share ($1.15 per share prior to the April 2025 Reverse Stock Split) (or common stock equivalents in lieu thereof) and associated warrants in a registered direct offering, which was priced at-the-market under applicable Nasdaq rules, for the second tranche gross proceeds of $5 million. Together with the approximately $15.0 million in gross proceeds from the previously announced first tranche closing completed on February 27, 2025, the Company raised approximately $20.0 million in aggregate gross proceeds from the offering before deducting placement agent fees and other offering expenses payable by the Company.

SUNation Long-Term Note and Earnout

As noted in Note 6, 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"). On April 10, 2025 the Long-Term Note was amended and restated as follows: The principal amount of $5,486,000 previously due and payable under the original Long Term Note, together with all accrued and unpaid interest owing thereunder, shall be due and payable on May 1, 2028 (the "Maturity Date"), and such amended note 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.

As noted in Note 12, Fair Value Measurements, the Company had a remaining earnout consideration accrual balance of $2,110,896 at March 31, 2025 related to the SUNation acquisition. On April 7, 2025, the Company paid the remaining balance to satisfy the outstanding liability in full.

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 April 2025 non-compliance notice. Following receipt of the April 2025 deficiency notice, the Company timely requested a hearing before the Nasdaq Hearing Panel. The hearing request automatically stayed any suspension or delisting action pending the hearing and the expiration of any additional extension period, if granted by the Panel, following the hearing.

Subsequent thereto, the Company has received an additional written notice from the Staff on May 13, 2025, regarding its further determination to delist the Company's securities pursuant to its discretionary authority under Listing Rule 5101 based on public interest concerns related to the Company's recent securities offering announced on February 27, 2025, which it determined involved the issuance of deeply discounted securities. The Company has received a Hearing Panel date, and intends to continue with the hearing panel process and does not expect to be mooted out of it based on this additional delisting compliance notice. Notwithstanding the Company's having maintained compliance with the Minimum Bid Price requirements for nineteen (19) consecutive days as of the date of this quarterly report (in relation to the April 2025 non-compliance notice), the Hearing Panel may take into consideration in reaching its ultimate decision the Staff determination of May 13, 2025. There can be no assurance that the Hearing 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, the failure of which would result in a delisting of the Company's common stock from the Nasdaq Stock Market.

April 2025 Reverse Stock Split

On April 16, 2025, the Company amended its Certificate of Incorporation ("Certificate of Amendment") to implement a one-for-two hundred reverse stock split. The Company's common stock began trading on a split-adjusted basis on April 21. 2025. The Company's stockholders approved the Certificate of Amendment at a special meeting of its stockholders held on April 3, 2025. As a result of the reverse stock split, every 200 shares of common stock then issued and outstanding automatically were combined into one share of common stock, with no change in par value per share.

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

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

Forward-Looking Statements

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

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

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

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

Overview

SUNation Energy Inc. (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.

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

Reverse Stock Splits

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

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

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

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

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

October 2024 Reverse Stock Split

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

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

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

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

April 2025 Reverse Stock Split

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

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

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

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

Effective as of the same time as the June 2024 Reverse Stock Split, October 2024 Reverse Stock Split, and April 2025 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.

Results of Operations

Comparison of the Three Months Ended March 31, 2025 and 2024

Consolidated Results

The following table summarizes our consolidated results for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31				Change	
	2025		2024			
	Amount	% of Sales	Amount	% of Sales	$	%
Sales	$ 12,636,638	100%	$ 13,219,197	100%	$ (582,559)	-4.4%
Cost of sales	8,205,313	65%	8,413,749	64%	(208,436)	-2.5%
Gross profit	4,431,325	35%	4,805,448	36%	(374,123)	-7.8%
Operating expenses:						
Selling, general and administrative expenses	6,039,298	48%	6,629,027	50%	(589,729)	-8.9%
Amortization expense	559,375	4%	709,375	5%	(150,000)	-21.1%
Fair value remeasurement of SUNation earnout consideration	—	0%	(350,000)	-3%	350,000	-100.0%
Total operating expenses	6,598,673	52%	6,988,402	53%	(389,729)	-5.6%
Operating loss from continuing operations	(2,167,348)	-17%	(2,182,954)	-17%	15,606	-0.7%
Other (expense) income:						
Investment and other income	48,165	0%	45,841	0%	2,324	5.1%
(Loss) gain on sale of assets	—	0%	6,118	0%	(6,118)	-100.0%
Fair value remeasurement of warrant liability	—	0%	3,728,593	28%	(3,728,593)	-100.0%
Fair value remeasurement of contingent forward contract	109,492	1%	—	0%	109,492	
Fair value remeasurement of contingent value rights	19,179	0%	376,085	3%	(356,906)	-94.9%
Financing fees	(576,594)	-5%	—	0%	(576,594)	
Interest expense	(571,240)	-5%	(764,870)	-6%	193,630	-25.3%
Loss on debt extinguishment	(343,471)	-3%	—	0%	(343,471)	
Other (expense) income, net	(1,314,469)	-10%	3,391,767	26%	(4,706,236)	-138.8%
Operating loss from continuing operations before income taxes	(3,481,817)	-28%	1,208,813	9%	(4,690,630)	-388.0%
Income tax expense	14,615	0%	6,162	0%	8,453	137.2%
Net loss	$ (3,496,432)	-28%	$ 1,202,651	9%	$ (4,699,083)	-390.7%

Consolidated sales decreased $582,559, or 4.4% to $12,636,638 in the first quarter of 2025 from $13,219,197 in the first quarter of 2025, with declines primarily within the residential contract and service revenue streams. On a consolidated basis, while overall kilowatts installed on residential projects increased 7% in the first quarter of 2025 from the first quarter of 2024, this was offset by a 13% decrease in price per watt due to lower battery kilowatts installed within HEC.

Consolidated gross profit decreased to $4,431,325 in the first quarter of 2025 as compared to gross profit of $4,805,448 in the first quarter of 2024 due primarily to the decrease in revenue during the quarter. Gross margin decreased slightly to 35% during the first quarter of 2025 as compared to 36% in the first quarter of 2024.

Consolidated operating expenses decreased 5.6% to $6,598,673 in the first quarter of 2025 as compared to $6,988,402 in the first quarter of 2024. Consolidated selling, general and administrative expenses decreased $589,729, or 9%, to $6,039,298 in the first quarter of 2025 from $6,629,027 in the first quarter of 2024, due primarily to a decrease in corporate costs including stock compensation expense and legal and other professional fees. Amortization expense decreased by $150,000 to $559,375 in the first quarter of 2025 as compared to $709,375 in the same period of the prior year due to the write down of the technology intangible asset at HEC at December 31, 2024, resulting in lower amortization expense in the current year. There was not a fair value remeasurement related to the SUNation acquisition earnout consideration in the first quarter of 2025 compared to a gain of $350,000 in the same period of the prior year.

Consolidated other (expense) income decreased by $4,706,236 to expense of $1,314,469 in the first quarter of 2025 as compared to $3,391,767 in income in the first quarter of 2024. The decrease was primarily related to a $3,728,593 decrease in the fair value remeasurement gain on the warrant liability, a $356,906 decrease in fair value remeasurement loss on the contingent value rights ("CVRs"), a $343,471 loss on debt extinguishment, and $576,594 in financing fees on the issuance of the contingent forward contract, partially offset by a $193,630 decrease in interest expense.

Consolidated operating loss in the first quarter of 2025 was $2,167,348 as compared to $2,182,954 in the first quarter of 2024. Net loss in the first quarter of 2025 was $3,496,432, or $(106.71) per diluted share, compared to net loss attributable to shareholders (after taking into effect $11,322,639 in deemed dividends) of $10,119,988, or $(38,414.84) per diluted share, in the first quarter of 2024.

SUNation Operating Results

SUNation revenue decreased 2% or $208,416, to $9,544,554 in the first quarter of 2025 as compared to $9,752,970 in first quarter of 2024. Revenue in the first quarters of 2025 and 2024 by type were as follows:

	Revenue by Type	
	Three Months Ended March 31	
	2025	2024
Residential contracts	$ 7,896,122	$ 8,131,708
Commercial contracts	1,275,888	997,193
Service revenue	372,544	624,069
	$ 9,544,554	$ 9,752,970

Residential contract revenue decreased $235,586, or 3%, despite a 5% increase in residential kilowatts installed and a 1% increase in average price per system installed, due to a 5% decrease in number of systems installed. Commercial contract revenue increased $278,695, or 28%, due timing of commercial projects where the prior year had some larger projects from 2024 carry into 2025 and there were delays in the prior year in the start of commercial pipeline projects into the second half of 2024. Service revenue decreased $251,525, or 40%, due to lower battery installations.

Gross profit decreased 7% to $3,672,582 in 2025 as compared to gross profit of $3,951,210 in 2024 due primarily to the decrease in revenue and additional decrease in gross margin. Gross margin decreased to 38.5% in 2025 compared to 40.5% in 2024 due primarily to lower commercial revenue gross margins due to higher unanticipated project costs on larger projects during the quarter.

Selling, general and administrative expenses decreased slightly to $3,847,500 in 2025 (40% as a percentage of sales) as compared to $3,872,455 in 2024 (40% as a percentage of sales), due primarily to a decrease in personnel costs on lower headcount. Amortization expense remained flat at $203,125 in 2025 as compared to 2024.

HEC Operating Results

HEC sales decreased 11% or $374,143, to $3,092,084 in the first quarter of 2025 as compared to $3,466,227 in the first quarter of 2024. Sales in 2025 and 2024 by type were as follows:

	Revenue by Type			
	2025		2024	
Residential contracts	$	2,738,800	$	3,227,879
Service revenue		353,284		238,348
	$	3,092,084	$	3,466,227

Residential contract sales decreased $489,079, or 15%, due to a 34% decrease in battery capacity installed, which was partially offset by a 21% increase in kilowatts installed. In the first half of 2024, the Battery Bonus program in Hawaii ended. Under this program, customers were paid a cash incentive and provided energy bill credits to add energy storage to an existing or new rooftop solar system. Service revenue increased $114,936, or 48%, due to an increase in repair and replacement installations.

Gross profit decreased 11% to $758,743 in the first quarter of 2025 as compared to gross profit of $854,238 in the first quarter of 2024 due primarily to the decrease in revenue. Gross margin remained fairly flat at 24.5% in the first quarter of 2025 compared to 24.6% in the first quarter of 2024.

Selling, general and administrative expenses decreased 3% to $976,674 in the first quarter of 2025 (32% as a percentage of sales) as compared to $1,002,052 in the first quarter of 2024 (29% 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 March 31, 2025, the Company had $1,740,230 in cash, restricted cash and cash equivalents. Of this amount, $370,986 was invested in short-term money market funds that are not considered to be bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency. These money market funds seek to preserve the value of the investment at $1.00 per share; however, it is possible to lose money investing in these funds. The remainder in cash and cash equivalents is operating cash.

Of the amounts of cash, restricted cash and cash equivalents on the balance sheet at March 31, 2025, $292,901 consisted of funds that can only be used to support the legacy CSI business, will be distributed to CVR holders and cannot be used to support the working capital needs of the SUNation Energy business.

The Company had working capital deficit of $(9,728,626) at March 31, 2025, consisting of current assets of $10,545,189 and current liabilities of $20,273,815 compared to working capital deficit of $(16,051,658) at December 31, 2024.

Cash used in operating activities was $3,403,349 in the first three months of 2025 as compared to $2,649,280 in the same period of 2024. The increase in negative cash flow from operations is primarily driven by the increase in the net loss and an increase in payments against accounts payable. Significant working capital changes in the three months ended March 31, 2025 included a decrease of accounts receivable of $953,150, a decrease in accounts payable of $1,518,440, a $443,775 decrease in customer deposits and a decrease in accrued interest of $1,098,801.

Net cash used in investing activities was $0 in the first three months of 2025 compared to $524 provided by investing activities in the same period of 2024. The Company did not have any capital expenditures or disposals during 2025.

Net cash provided by financing activities was $3,992,231 in the first three months of 2025 compared to $544,864 in the same period of 2024. Net cash provided by financing activities in the first three months of 2025 was due to $13,431,902 in net proceeds from the issuance of common stock under a registered direct offering and $351,371 in proceeds from the issuance of common stock under the at-the-market offering, partially offset by $9,401,939 in payments against loans payable and $389,104 in payments of contingent consideration. Net cash provided by financing activities in the first three months of 2024 was due to $1,000,000 in proceeds from the issuance of common stock under a registered direct offering, partially offset by payments against loans payable.

In connection with the SUNation acquisition, on November 9, 2022, the Company issued a $5,486,000 Long-Term Promissory Note (the “Long-Term Note”). The Long-Term Note was unsecured and matured on November 9, 2025. It carried an annual interest rate of 4% until the first anniversary of issuance, then 8% thereafter until the Long-Term Note was paid in full. The Company was required to make a principal payment of $2.74 million on the second anniversary of the Long-Term Note. The Long-Term Note may be prepaid at our option at any time without penalty. On April 10, 2025, the Long-Term Note was amended and restated whereby the principal amount of $5,486,000 previously due and payable under the original Long-Term Note, together with all accrued and unpaid interest owing thereunder, shall be due and payable on May 1, 2028, and such amended note shall become a senior secured instrument. Principal and interest payments under the amended Long-Term Note shall be payable monthly on the first day of each month commencing on June 1, 2025 for thirty-six consecutive months thereafter. Additionally, pursuant to the terms of that certain Senior Secured Contingent Note Instrument, entered into on April 10, 2025, the unearned 2024 earnout was rescheduled and 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 Notes 6, 9 and 14, the Company raised capital and satisfied certain outstanding debt obligations during 2025, however there remains uncertainty related to our future cash flows as it relies on the ability to generate enough cash flow from its operating segments to cover the Company’s corporate overhead costs.

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

Contingent Value Rights and Impact on Cash

The Company issued CVRs prior to the Closing to CSI shareholders of record on the close of business on March 25, 2022. The CVR entitles the holder to a portion of the cash, cash equivalents, investments and net proceeds of any divestiture, assignment, or other disposition of all legacy assets of CSI and/or its legacy subsidiaries, JDL and Ecessa, that are related to CSI’s pre-merger business, assets, and properties that occur during the 24-month period following the Closing. The CVR liability as of March 31, 2025 was estimated at $292,901 and represented the estimated fair value as of that date of the legacy CSI assets to be distributed to CVR holders as of that date. This amount is recorded as a current liability that includes the remaining restricted cash and cash equivalents. The proceeds from CSI’s pre-merger business working capital and related long-term assets and liabilities are not available to fund the working capital needs of the post-merger company.

Critical Accounting Estimates

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

Contingent Forward Contract: On February 27, 2025, the Company entered into a securities purchase agreement for the purchase and sale of securities in a registered direct offering with two closings (the "Offering"). The first closing occurred on February 27 2025. The second closing, which occurred on April 7, 2025, represents a firm commitment and a contingent forward contract to issue and sell additional shares of common stock or Pre-Funded Warrants and Series A Warrants and Series B Warrants upon the receipt of approval by the Company's stockholders to approve the issuance of the Series A Warrants, Series B Warrants and the shares of common stock underlying such warrants as of March 31, 2025. The Company determined that the contingent forward contract is a freestanding financial instrument that does not meet the requirements for equity classification due to certain settlement provisions that fail the indexation guidance in ASC 815-40 and meets the definition of a derivative. As a result, the contingent forward contract was recorded as a liability initially at its fair value on the date of issuance and will be subsequently remeasured to fair value on each balance sheet date until the underlying instruments are issued and sold in the second closing of the Offering. The Company also incurred placement agent fees and other offering expenses as a result of the Offering. These expenses were allocated consistently with how the Offering proceeds were allocated to the financial instruments with the expenses allocated to the contingent forward contract recorded within Other (expense) income within the condensed consolidated statements of operations.

Recently Issued Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

Material Weakness in Internal Control over Financial Reporting

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

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

Remediation Plan

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

Inherent Limitations on Control Systems

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

Changes in Internal Controls over Financial Reporting

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

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 by seven days from receipt of the April 2025 non-compliance notice. Following receipt of the April 2025 deficiency notice, to address the minimum price bid deficiency, 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 the Company timely requested a hearing before the Nasdaq Hearing Panel. The hearing request automatically stayed any suspension or delisting action pending the hearing and the expiration of any additional extension period, if granted by the Panel, following the hearing.

Subsequent thereto, the Company has received an additional written notice from the Staff on May 13, 2025, regarding its further determination to delist the Company’s securities pursuant to its discretionary authority under Listing Rule 5101 based on public interest concerns related to the Company’s recent securities offering announced on February 27, 2025, which it determined involved the issuance of deeply discounted securities. The Company has received a Hearing Panel date, and intends to continue with the hearing panel process and does not expect to be mooted out of it based on this additional delisting compliance notice. Notwithstanding the Company’s having maintained compliance with the Minimum Bid Price requirements for nineteen (19) consecutive days as of the date of this quarterly report (in relation to the April 2025 non-compliance notice), the Hearing Panel may take into consideration in reaching its ultimate decision the Staff determination of May 13, 2025. There can be no assurance that the Hearing 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, the failure of which would result in a delisting of the Company’s common stock from the Nasdaq Stock Market.

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

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Trading Arrangements

During the three months ended March 31, 2025, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified, or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits

The following exhibits are included herewith:

19	Insider Trading Policy
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14 and 15d-14 of the Exchange Act).
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14 and 15d-14 of the Exchange Act).
32	Certifications pursuant Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. §1350).
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

Signatures

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

SUNation Energy, Inc.

	By	/s/ Scott Maskin
		Scott Maskin
Date: May 15, 2025		Chief Executive Officer
	By	/s/ James Brennan
		James Brennan
Date: May 15, 2025		Chief Financial Officer

POLICY STATEMENT
ON
CONFIDENTIAL INFORMATION AND SECURITIES TRADING
BY SUNATION ENERGY, INC. PERSONNEL

Summary

You may not buy or sell the common stock of SUNation Energy, Inc. ("SUNE" or the "Company") at a time when you may be in possession of material, non-public information about the Company. Such transactions are prohibited by both Company policy and federal securities laws. Similarly, you may not buy or sell the stock of Company customers or suppliers when you have received, through your employment or other relationship with SUNE, material non-public information about that customer or supplier. These prohibitions also apply to members of your household, as well as all others whose transactions may be attributable to you. Anyone who violates these prohibitions faces staggering civil and criminal penalties, as well as termination of employment.

Material information is ***any*** information that could reasonably be expected to affect stock price. Either positive or negative information may be material. Once a public announcement has been made of the material information, you should wait at least two full trading days before engaging in any transactions, assuming at the time of the transaction you do not have other material information that has not been made public.

Federal securities laws and Company policy also prohibit disclosure of material non-public information except on a need-to-know basis. Even if you are not engaging in any stock trading activity, you must not disclose material, non-public information to others, especially to those outside the Company. Any questions from shareholders not subject to this policy, securities analysts, stockbrokers, or the media regarding the Company should be directed to the Chief Financial Officer.

For further information and guidance, please refer to the entire Policy Statement set forth below, or contact SUNE's Chief Financial Officer.

CONTENTS

*Applicable if supplied with this Policy Statement.

The Need For a Policy Statement

Because the Company's stock is publicly-traded, the Company is required to take active steps to prevent violations of insider trading laws by Company personnel. Insider trading violations are pursued vigorously by the Securities Exchange Commission (SEC) and Department of Justice and are punished severely. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel.

We are adopting this Policy Statement both to satisfy the Company's obligation to prevent insider trading and to help Company personnel avoid the severe consequences associated with violations of the insider trading laws. The Policy Statement also is intended to prevent even the appearance of improper conduct on the part of anyone employed by or associated with SUNE (since anyone with material non-public information should be considered an "insider"). We have all worked hard to establish our reputation for integrity and ethical conduct. We cannot afford to have it damaged.

The Consequences

Enforcement remedies available to the government or private plaintiffs under the federal securities laws include:

- SEC administrative sanctions;
- Securities industry self-regulatory organization sanctions;
- Civil injunctions;
- Damage awards to private plaintiffs;
- Disgorgement of all profits;
- Civil fines for the violator of up to three times the amount of profit gained or loss avoided;
- Civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee or other controlled person) of up to the greater of $1,425,000 or three times the amount of profit gained or loss avoided by the violator;
- Criminal fines for individual violators of up to $5,000,000 ($25,000,000 for an entity); and
- Jail sentences of up to 20 years.

In addition, insider trading could result in serious sanctions by the Company, including dismissal. Insider trading violations are not limited to violations of the federal securities laws. Other federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the Racketeer Influenced and Corrupt Organizations Act (RICO), also may be violated in connection with insider trading.

Size of Transaction and Reason for Transaction Do Not Matter

The size of the transaction or the amount of profit received does not have to be significant to result in prosecution. The SEC has the ability to monitor even the smallest trades, and the SEC performs routine market surveillance. Brokers or dealers are required by law to inform the SEC of any possible violations by people who may have material, non-public information. The SEC aggressively investigates even small insider trading violations.

Our Policy

If a Company director, officer, employee or representative has material non-public information (so-called "inside" information of a nature which could affect its stock price) relating to the Company, it is our policy that neither that person nor any related person may buy or sell Company securities or engage in any other action to take advantage of, or to pass on to others, that information. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception. Even the appearance of an improper transaction must be avoided to preserve our reputation for adhering to the highest standards of conduct. It is also our policy that SUNE personnel maintain the confidentiality of all non-public information regarding the Company. These policies also apply to information about any other company, including our customers or suppliers, obtained in the course of the individual's employment or other relationship with SUNE.

What is Material Information. Material information is any information that a reasonable investor would consider important in a decision to buy, hold or sell stock. In short, any information which could reasonably be expected to affect the price of the stock is material information. Material information can be positive or negative and can relate to virtually any aspect of a company's business or any type of security, debt or equity. Some examples of what would ordinarily be regarded as material are: projections of future earnings or losses or guidance regarding future results; news of a pending or proposed merger, acquisition, or tender offer; news of a significant sale of assets or the disposition of a subsidiary; changes in dividend policies, the declaration of a stock split, or the offering of additional securities; changes in management; impending bankruptcy or financial liquidity problems; and, as previously indicated, the gain or loss of a substantial customer or supplier.

20/20 Hindsight. Remember, if your securities transactions become the subject of scrutiny, they will be judged after-the-fact with the benefit of hindsight. As a result, before engaging any securities transaction you should carefully consider how regulators and others might view your transaction in hindsight.

Transactions By Family Members. The very same restrictions apply to your family members and others living in your household. Company personnel are expected to be responsible for the compliance of their immediate family and personal household with our policy.

When Information Is "Non-public." Information is "non-public" if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through such media as Dow Jones, Business Wire, Reuters, The Wall Street Journal, Associated Press, or United Press International, a broadcast on widely available radio or television programs, publication in a widely available newspaper, magazine or news web site, a Regulation FD-compliant conference call, or public disclosure documents filed with the SEC that are available on the SEC's web site.

The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination. In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should allow two full trading days following publication as a reasonable waiting period before such information is deemed to be public.

Disclosing Proprietary Information To Others Prohibited. Whether the information is proprietary information about the Company or one of its customers or suppliers, or is information that could have an impact on the price of Company's stock or a customer's or a supplier's stock, Company personnel must not disclose any such information to others. The above penalties apply to misuse of insider information, whether or not you derive any benefit from another's actions. In order to prevent unintentional disclosure, all inquiries and requests for information regarding the Company or the Company's customers or suppliers (e.g., from the shareholders not subject to this policy, media, stockbrokers, or securities analysts) should be referred to the Chief Financial Officer.

Trading by Persons Other than Insiders. Insiders may be liable for communicating or tipping material, non-public information to a third party ("tippee"), and insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including tippees who trade on material, non-public information tipped to them or individuals who trade on material, non-public information that has been misappropriated.

Tippees inherit an insider's duties and are liable for trading on material, non-public information illegally tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the information along to others who trade. In other words, a tippee's liability for insider trading is no different from that of an insider. Tippees can obtain material, non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

Prohibition of Records Falsification and False Statements. Section 13(b)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires companies subject to the Exchange Act to maintain proper internal books and records and to devise and maintain an adequate system of internal accounting controls. The SEC has supplemented the statutory requirements by adopting rules that prohibit (1) any person from falsifying records or accounts subject to the above requirements, and (2) officers or directors from making any materially false, misleading, or incomplete statement to any accountant in connection with any audit or filing with the SEC. These provisions reflect the SEC's intent to discourage officers, directors and other persons with access to the Company's books and records from taking action that might result in the communication of materially misleading financial information to the investing public.

Guidelines for Maintaining Confidentiality. The general rule should always be that "Company matters stay within the Company."

- Do not discuss confidential matters affecting or related to the Company with family members, shareholders, stockbrokers, and friends.
- Do not disclose non-public information relating to Company matters to anyone, even to others within the Company, except on a "need-to-know" basis.
- Do not discuss Company matters in public places, such as restrooms, or in the Company's hallways when persons other than Company personnel are within hearing range.

- Be careful with documents which contain non-public information--avoid leaving them in view, and consider destroying them before discarding them. Consider using code names or vague subject references for sensitive projects.
- Safeguard laptop computers, tablets, memory sticks, CDs and other items that contain confidential information.
- Use particular care when handling inquiries from the press, brokers and stock analysts. In most cases, only the Chief Executive Officer or CFO should deal with such inquiries.
- If you see others in the Company being careless with confidential information, remind them of this Policy. Report any violations of this Policy to the Chief Financial Officer. Early reporting may save the Company and the violator from very serious penalties.

Examples of Insider Trading

Examples of insider trading cases include actions brought against corporate officers, directors, and employees who traded in a company's securities after learning of significant confidential corporate developments; friends, business associates, family members and other tippees of such officers, directors, and employees who traded in the securities after receiving such information; government employees who learned of such information in the course of their employment; and other persons who misappropriated, and took advantage of, confidential information from their employers.

The following are illustrations of insider trading violations. These illustrations are hypothetical and, consequently, not intended to reflect on the actual activities or business of the Company or any other entity.

Trading by Insider

An officer of X Corporation learns that earnings to be reported by X Corporation will increase dramatically. Prior to the public announcement of such earnings, the officer purchases X Corporation's stock. The officer, an insider, is liable for all profits as well as penalties of up to three times the amount of all profits. The officer also is subject to, among other things, criminal prosecution, including up to $5,000,000 in additional fines and 20 years in jail. Depending upon the circumstances, X Corporation and the individual to whom the officer reports also could be liable as controlling persons.

Trading by Tippee

An officer of X Corporation tells a friend that X Corporation is about to publicly announce that it has concluded an agreement for a major acquisition. This tip causes the friend to purchase X Corporation's stock in advance of the announcement. The officer is jointly liable with his friend for all of the friend's profits, and each is liable for all civil penalties of up to three times the amount of the friend's profits. The officer and his friend are also subject to criminal prosecution and other remedies and sanctions, as described above.

Pre-Clearance of All Trades by All Officers, Directors and Employees

To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of the Company's securities, **all transactions in the Company's securities (including without limitation, acquisitions and dispositions of Company stock, the exercise of stock options and the sale of Company stock issued upon exercise of stock options) by officers, directors and employees (each, a "Pre-Clearance Person") must be pre-cleared** by the Company's Chief Financial Officer. Pre-clearance does not relieve anyone of his or her responsibility under SEC rules.

A request for pre-clearance may be oral or in writing (including by e-mail), should be made at least two business days in advance of the proposed transaction and should include the identity of the Pre-Clearance Person, the type of proposed transaction (for example, an open market purchase, a privately negotiated sale, an option exercise, etc.), the proposed date of the transaction and the number of shares or other securities to be involved. In addition, the Pre- Clearance Person must execute a certification (in the form approved by the Chief Financial Officer) that he or she is not aware of material nonpublic information about the Company. The Chief Financial Officer shall have sole discretion to decide whether to clear any contemplated transaction. (The Chief Executive Officer shall have sole discretion to decide whether to clear transactions by the Chief Financial Officer or persons or entities subject to this policy as a result of their relationship with the Chief Financial Officer.) All trades that are pre-cleared must be effected within five (5) business days of receipt of the pre-clearance unless a specific exception has been granted by the Chief Financial Officer. A pre-cleared trade (or any portion of a pre-cleared trade) that has not been effected during the five (5) business day period must be pre-cleared again prior to execution. Notwithstanding receipt of pre-clearance, if the Pre-Clearance Person becomes aware of material non-public information or becomes subject to a black-out period before the transaction is effected, the transaction may not be completed.

None of the Company, the Chief Financial Officer or the Company's other employees will have any liability for any delay in reviewing, or refusal of, a request for pre-clearance submitted pursuant to this Section. Notwithstanding any pre-clearance of a transaction pursuant to this Section, none of the Company, the Chief Financial Officer or the Company's other employees assumes any liability for the legality or consequences of such transaction to the person engaging in such transaction.

Black-Out Periods

Additionally, no officer, director or employee shall purchase or sell any security of the Company during the period beginning on the 14th calendar day before the end of any fiscal quarter of the Company and ending upon completion of the second full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company, except for:

- purchases of the Company's securities from the Company or sales of the Company's securities to the Company;

- exercises of stock options or other equity awards the surrender of shares to the Company in payment of the exercise price or in satisfaction of any tax withholding obligations in a manner permitted by the applicable equity award agreement, or vesting of equity-based awards that do not involve a market sale of the Company's securities (the "cashless exercise" of a Company stock option through a broker does involve a market sale of the Company's securities, and therefore would not qualify under this exception);
- *bona fide* gifts of the Company's securities; and
- purchases or sales of the Company's securities made pursuant to any binding contract, specific instruction or written plan entered into while the purchaser or seller, as applicable, was unaware of any material, non-public information and which contract, instruction or plan (i) meets all requirements of the affirmative defense provided by Rule 10b5-1, (ii) was pre-cleared in advance pursuant to this Policy and (iii) has not been amended or modified in any respect after such initial pre-clearance without such amendment or modification being pre-cleared in advance pursuant to this Policy.

Exceptions to the black-out period policy may be approved only by the Company's Chief Financial Officer or, in the case of exceptions for directors, the Board of Directors.

From time to time, the Company, through the Board of Directors, the Company's disclosure committee, if any, or the Chief Financial Officer, may recommend that officers, directors, employees or others suspend trading in the Company's securities because of developments that have not yet been disclosed to the public. Subject to the exceptions noted above, all those affected should not trade in the Company's securities while the suspension is in effect, and should not disclose to others that the Company has suspended trading.

Additional Prohibited Transactions

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy Statement engage in certain types of transactions. Therefore, officers, directors and employees shall comply with the following policies with respect to certain transactions in the Company securities:

1. Trading in Company Securities on a Short-Term Basis. Any Company stock purchased in the open market should be held for a minimum of six months and ideally longer. (Note that the SEC's short-swing profit rule already prevents directors and executive officers from selling any Company stock within six months of a purchase. We are simply expanding this rule as a strong suggestion to all other employees.)

2. Short Sales; Purchases on Margin. Employees should not "sell short" SUNE stock (a "short sale" is a sale of shares that the Seller does not own but expects to purchase in the future at a lower price). Also, because of the risks inherent in owning shares in a company where trading restrictions exist, employees should not "margin" SUNE stock, whether for the purchase of SUNE stock or any other securities.

3. Buying or Selling Puts or Calls on SUNE Common Stock. Employees should not buy or sell either put or call options on SUNE stock.

4. Hedging Transactions. Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow an officer, director or employee to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the officer, director or employee to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the officer, director or employee may no longer have the same objectives as the Company's other stockholders. Therefore, such transactions involving the Company's equity securities are prohibited by this Policy Statement.

5. Pledging the Company's Securities to Secure Loans. Pledging the Company's securities as collateral to secure loans is also prohibited.

Post-Termination Transactions

The obligations described in this Policy Statement to not trade on material, non-public information and to not disclose such information to any other person continue to apply to transactions in Company securities even after you have terminated employment. If you are in possession of material nonpublic information when your employment terminates, you may not trade in Company securities or disclose such information to any other person until that information has become public or is no longer material.

Certification

Company personnel may periodically be required to certify their understanding of and intent to comply with this Policy Statement.

Company Assistance

Any person who has any general questions about this Policy Statement or questions about specific transactions should contact the Chief Financial Officer. Remember, however, the ultimate responsibility for adhering to the Policy Statement and avoiding improper transactions rests with you. In this regard, it is imperative that you use your best judgment.

Adopted March 6, 2003; amended July 28, 2004, February 13, 2017 and May 15, 2025

DIRECTOR AND EXECUTIVE OFFICER ADDENDUM
to

Policy Statement
on
Confidential Information and Securities Trading
by SUNation Energy, Inc. Personnel

INTRODUCTION

In addition to being subject to the provisions of the attached "Policy Statement on Confidential Information and Securities Trading by SUNation Energy, Inc. Personnel," each director and each executive officer (defined below) of SUNation Energy, Inc. ("SUNE" or the "Company") is subject to Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act"). Also, Section 13 of the Exchange Act applies to any director or executive officer who owns more than 5% of the outstanding stock of SUNE. Given the greater scrutiny of directors and executive officers under federal securities laws, as well as the specific provisions of Sections 16 and 13 of the Exchange Act, the Company has adopted certain additional policies with respect to transactions in SUNE stock by directors and executive officers (who are sometimes referred to hereafter individually as an "insider" and collectively as "insiders"). For the purposes of this Addendum to the Company's Policy Statement, the "Compliance Officer" will be the Company's Chief Financial Officer, subject to the Company's designating another or additional Compliance Officer from time to time.

SECTION 16 LIABILITY AND REPORTING

Liability. Section 16 applies to directors, as well as to officers and key employees designated by the Company (each an "executive officer"), as well as to holders of more than 10% of the Company's issued and outstanding stock. In general, Section 16(b) provides that any profit realized on a purchase and a sale, or a sale and a purchase, of Company stock by a director or an executive officer within a six-month period is recoverable by the Company. For this purpose, it does not matter whether the purchase or the sale occurs first. It is not necessary for the same number of shares to be involved in each of the matched transactions. Losses cannot be offset against gains. Transactions are paired so as to match the lowest purchase price and the highest sale price within a six-month period, resulting in the maximum amount of profit. Good faith on the part of the insider is no defense. If the Company itself does not press a claim, a claim for recovery of the profit may be asserted by any shareholder for the benefit of the Company.

There are many types of transactions which constitute a "purchase" or a "sale" for Section 16 purposes in addition to normal open market transactions. The receipt of an option, warrant or other right to acquire common stock (a "derivative security") is generally a purchase. Many unusual corporate reorganizations may be "purchases" or "sales." "Beneficial" ownership for Section 16 purposes may include indirect ownership, for example, through trusts or estates. In some circumstances, stock held by close relatives of a person may be considered to be owned beneficially by such person, and a purchase (or sale) by one individual may be matched with a sale (or purchase) by his close relative to produce a recoverable profit. The provisions also apply to stock registered in a street name.

Reports. As part of the profit recapture provisions of Section 16(b), Section 16(a) requires reporting beneficial ownership. *All changes in an insider's beneficial ownership of Company stock is reportable*, not only transactions which are purchases or sales. Reports may be due even though the reported change in beneficial ownership is not a transaction of a type which can be matched for Section 16(b) purposes.

While the Company will assist each insider to fulfill these responsibilities, each insider is responsible to file his or her own individual report on Form 4 with the SEC if there is a change in his or her beneficial ownership of SUNE securities as a result of:

§ Any purchases and sales, with very limited exceptions.

§ Grants, awards and other acquisitions from the issuer. This will include stock option grants, restricted stock grants and acquisitions of stock under non-tax qualified deferred compensation plans.

§ Dispositions to the issuer. This category will include shares delivered to the issuer to pay an option exercise price or tax withholding amounts, and sales of shares to the company.

The Form 4 is due and must be received by the SEC within two business days of the date of the transaction. The deadline is calculated by counting as "day one" the business day immediately following the transaction date (that is the trade date, not the settlement date). Thus, a Form 4 for a transaction on Monday is due Wednesday. All Section 16 reports must be filed electronically and posted on the SEC and the issuer's website. The Company encourages insiders to make these filings electronically as soon as possible for greater transparency and to avoid untimely filings.

Two additional types of transactions are reported on Form 4, but the two business day deadline is calculated differently because the insider does not have discretion over the date of execution of the transaction. The first exception relates to transactions pursuant to a Rule 10b5-1 Plan that allows the insider to purchase or sell shares based upon a pre-determined formula or criteria that does not permit the insider to exercise control over the date of the transaction. In this case, the Form 4 is due two days following the "deemed" execution date of the transaction, which is either (1) the date on which the insider is notified by the executing broker that the transaction has been executed or (2) if the broker does not notify the insider of the transaction within three days of the actual execution date, then the deemed execution date will be the third business day following the actual execution date. Thus, the Form 4 would be due in each case no later than five business days after the actual execution date.

The second narrow exception is for "Discretionary Transactions" or transactions made under benefit plans where the timing of the transaction is determined by the plan trustee or administrator. In this case, the transaction information must be received by the insider within three business days and the transaction must be reported on a Form 4 within two business days thereafter.

Additionally, a Form 5 must be filed each year (within 45 days after the end of the company's fiscal year) by officers, directors and 10% owners to report any exempt transactions and to report failures to file previously due reports. Very few transactions are properly reportable on a Form 5; most transactions must be reported on a Form 4. Gifts, inheritances and very small acquisitions are the most commonly reported Form 5 transactions. A primary purpose of Form 5 is to promote compliance with Section 16 by requiring insiders to report any required Forms 4 which had not been filed during the year.

Approximately two months after the end of the fiscal year officers and directors will be required to provide their companies with a written representation regarding their compliance with the requirements of Section 16 (i.e., there are no unreported transactions). Section 16 reports must be filed electronically and posted on the SEC's and the issuer's website. The Company encourages insiders to make these filings electronically as soon as possible for greater transparency and to avoid untimely filings, and Company representatives are available to assist officers and directors to fulfill their electronic filing obligations by means of a power of attorney as discussed below.

Power of Attorney. It should be noted that even if an individual is unable to personally sign a Form 4 or 5 (e.g., if you are out of town), the SEC permits the form to be signed by another without a prior or simultaneous filing of a power of attorney as long as a power is sent "as soon as practicable" thereafter. The SEC will not excuse a late filing simply because the individual is unavailable. We have designed a standing power of attorney giving an officer of the Company the authority to sign Forms 4 and 5 on your behalf in order to facilitate timely filings in your absence.

Short Sales. In addition to the foregoing, Section 16(c) prohibits the Company's directors, officers and more-than-10% shareholders from making "short sales" of any equity security of the Company. A "short sale" is a sale of securities which the seller does not own at the time or, if owned, securities that will not be delivered for a period longer than 20 days after the sale.

DIRECTOR AND OFFICER CASHLESS EXERCISES

The Company will not arrange with brokers to administer cashless exercises on behalf of directors and executive officers of the Company. Directors and executive officers of the Company may use the cashless exercise feature of their equity awards only if (i) the director or officer retains a broker independently of the Company, (ii) the Company's involvement is limited to confirming that it will deliver the stock promptly upon payment of the exercise price and (iii) the director or officer uses a "T+3" cashless exercise arrangement, in which the Company agrees to deliver stock against the payment of the purchase price on the same day the sale of the stock underlying the equity award settles. Under a T+3 cashless exercise, a broker, the issuer, and the issuer's transfer agent work together to make all transactions settle simultaneously. This approach is to avoid any inference that the Company has "extended credit" in the form of a personal loan to the director or executive officer. Questions about cashless exercises should be directed to the Chief Financial Officer.

RULE 10b5-1 PLANS

Notwithstanding the limitations set forth in this Policy Statement, directors and executive officers may effect transactions in Company stock pursuant to a plan that complies with the requirements set forth in Rule 10b5-1 adopted under the Exchange Act (a “Trading Plan”), if the Trading Plan has been submitted to and approved by the Company’s Compliance Officer.

1. Overview

Rule 10b5-1 will protect directors, officers and employees from insider trading liability under Rule 10b5-1 for transactions under a previously established contract, plan or instruction to trade in the Company’s stock entered into in good faith and in accordance with the terms of Rule 10b5-1 and all applicable state laws and will be exempt from the trading restrictions set forth in this Policy Statement. The initiation of, and any modification to, any Trading Plan will be deemed to be a transaction in the Company’s securities, and such initiation or modification is subject to all limitations and prohibitions relating to transactions in the Company’s securities. Each such Trading Plan, and any modification thereof, must be submitted to and pre-approved by the Company’s Chief Financial Officer, or such other person as the Board of Directors may designate from time to time (the “Authorizing Officer”), who may impose such conditions on the implementation and operation of the Trading Plan as the Authorizing Officer deems necessary or advisable. However, compliance of the Trading Plan to the terms of Rule 10b5-1 and the execution of transactions pursuant to the Trading Plan are the sole responsibility of the person initiating the Trading Plan, not the Company or the Authorizing Officer.

Rule 10b5-1 presents an opportunity for insiders to establish arrangements to sell (or purchase) Company stock without the restrictions of trading windows and black-out periods, even when there is undisclosed material information. A Trading Plan may also help reduce negative publicity that may result when key executives sell the Company’s stock. Rule 10b5-1 only provides an “affirmative defense” in the event there is an insider trading lawsuit. It does not prevent someone from bringing a lawsuit.

A director, officer or employee may enter into a Trading Plan only when he or she is not in possession of material, non-public information, and only during a trading window period outside of the trading black-out period.

The Company reserves the right from time to time to suspend, discontinue or otherwise prohibit any transaction in the Company’s securities, even pursuant to a previously approved Trading Plan, if the Authorizing Officer or the Board of Directors, in its discretion, determines that such suspension, discontinuation or other prohibition is in the best interests of the Company. Any Trading Plan submitted for approval hereunder should explicitly acknowledge the Company’s right to prohibit transactions in the Company’s securities. Failure to discontinue purchases and sales as directed shall constitute a violation of the terms of this Section and result in a loss of the exemption set forth herein.

Officers, directors and employees may adopt Trading Plans with brokers that outline a pre-set plan for trading of the Company’s stock, including the exercise of options. Trades pursuant to a Trading Plan generally may occur at any time. However, the Company requires a cooling-off period of 30 days between the establishment of a Trading Plan and commencement of any transactions under such plan. An individual may adopt more than one Trading Plan.

Please review the following description of how a Trading Plan works.

Pursuant to Rule 10b5-1, an individual's purchase or sale of securities will not be "on the basis of" material, non-public information if:

- First, before becoming aware of the information, the individual enters into a binding contract to purchase or sell the securities, provides instructions to another person to sell the securities or adopts a written plan for trading the securities (i.e., the Trading Plan).
- Second, the Trading Plan must either:
  - specify the amount of securities to be purchased or sold, the price at which the securities are to be purchased or sold and the date on which the securities are to be purchased or sold;
  - include a written formula or computer program for determining the amount, price and date of the transactions; or
  - prohibit the individual from exercising any subsequent influence over the purchase or sale of the Company's stock under the Trading Plan in question.
- Third, the purchase or sale must occur pursuant to the Trading Plan and the individual must not enter into a corresponding hedging transaction or alter or deviate from the Trading Plan.

2. Revocation of and Amendments to Trading Plans

Revocation of Trading Plans should occur only in unusual circumstances. Effectiveness of any revocation or amendment of a Trading Plan will be subject to the prior review and approval of the Authorizing Officer. Once a Trading Plan has been revoked, the participant should wait at least 30 days before trading outside of a Trading Plan and 180 days before establishing a new Trading Plan. You should note that revocation of a Trading Plan can result in the loss of an affirmative defense for past or future transactions under a Trading Plan. You should consult with your own legal counsel before deciding to revoke a Trading Plan. In any event, you should not assume that compliance with the 180-day bar will protect you from possible adverse legal consequences of a Trading Plan revocation.

A person acting in good faith may amend a prior Trading Plan so long as such amendments are made outside of a quarterly trading black-out period and at a time when the Trading Plan participant does not possess material, non-public information. Plan amendments must not take effect for at least 30 days after the plan amendments are made.

Under certain circumstances, a Trading Plan *must* be revoked. This may include circumstances such as the announcement of a merger or the occurrence of an event that would cause the transaction either to violate the law or to have an adverse effect on the Company. The Authorizing Officer or administrator of the Company's stock plans is authorized to notify the broker in such circumstances, thereby insulating the insider in the event of revocation.

3. Discretionary Plans

Although non-discretionary Trading Plans are preferred, discretionary Trading Plans, where the discretion or control over trading is transferred to a broker, are permitted if pre-approved by the Authorizing Officer.

The Authorizing Officer must pre-approve any Trading Plan, arrangement or trading instructions, etc., involving potential sales or purchases of the Company's stock or option exercises, including but not limited to, blind trusts, discretionary accounts with banks or brokers, or limit orders. The actual transactions effected pursuant to a pre-approved Trading Plan will not be subject to further pre-clearance for transactions in the Company's stock once the Trading Plan or other arrangement has been pre-approved.

4. Reporting (if Required)

If required, an SEC Form 144 will be filled out and filed by the individual/brokerage firm in accordance with the existing rules regarding Form 144 filings. A footnote at the bottom of the Form 144 should indicate that the trades "are in accordance with a Trading Plan that complies with Rule 10b5-1 and expires ____________."

5. Options

Exercises of options for cash may be executed at any time. "Cashless exercise" option exercises are subject to trading windows. However, the Company will permit same day sales under Trading Plans. If a broker is required to execute a cashless exercise in accordance with a Trading Plan, then the Company must have exercise forms attached to the Trading Plan that are signed, undated and with the number of shares to be exercised left blank. Once a broker determines that the time is right to exercise the option and dispose of the shares in accordance with the Trading Plan, the broker will notify the Company in writing and the administrator of the Company's stock plans will fill in the number of shares and the date of exercise on the previously signed exercise form. The insider should not be involved with this part of the exercise.

6. Trades Outside of a Trading Plan

During an open trading window, trades differing from Trading Plan instructions that are already in place are allowed as long as the Trading Plan continues to be followed.

7. Public Announcements

The Company may make a public announcement that Trading Plans are being implemented in accordance with Rule 10b5-1. It will consider in each case whether a public announcement of a particular Trading Plan should be made. It may also make public announcements or respond to inquiries from the media as transactions are made under a Trading Plan.

8. Prohibited Transactions

The transactions prohibited under this Policy Statement, including among others short sales and hedging transactions, may not be carried out through a Trading Plan or other arrangement or trading instruction involving potential sales or purchases of the Company's securities.

9. Limitation on Liability

None of the Company, the Authorizing Officer or the Company's other employees will have any liability for any delay in reviewing, or refusal of, a Trading Plan submitted pursuant to this Section. Notwithstanding any review of a Trading Plan pursuant to this Section, none of the Company, the Authorizing Officer or the Company's other employees assumes any liability for the legality or consequences relating to such Trading Plan to the person adopting such Trading Plan.

RULE 144

Rule 144 provides a safe harbor exemption to the registration requirements of the Securities Act of 1933, as amended, for certain resales of "restricted securities" and "control securities." "Restricted securities" are securities acquired from an issuer, or an affiliate of an issuer, in a transaction or chain of transactions not involving a public offering. "Control securities" are *any* securities owned by directors, executive officers or other "affiliates" of the issuer, including stock purchased in the open market and stock received upon exercise of stock options. Sales of Company securities by affiliates (generally, directors, officers and 10% stockholders of the Company) must comply with the requirements of Rule 144, which are summarized below:

- ***Current Public Information.*** The Company must have filed all SEC-required reports during the last 12 months.

- ***Volume Limitations.*** Total sales of Company common stock by a covered individual for any three-month period may not exceed the *greater* of: (i) 1% of the total number of outstanding shares of Company common stock, as reflected in the most recent report or statement published by the Company, or (ii) the average weekly reported volume of such shares traded during the four calendar weeks preceding the filing of the requisite Form 144.

- ***Method of Sale.*** The shares must be sold either in a "broker's transaction" or in a transaction directly with a "market maker." A "broker's transaction" is one in which the broker does no more than execute the sale order and receive the usual and customary commission. Neither the broker nor the selling person can solicit or arrange for the sale order. In addition, the selling person or Board member must not pay any fee or commission other than to the broker. A "market maker" includes a specialist permitted to act as a dealer, a dealer acting in the position of a block positioner, and a dealer who holds himself out as being willing to buy and sell Company common stock for his own account on a regular and continuous basis.

- ***Notice of Proposed Sale.*** A notice of the sale (a Form 144) must be filed with the SEC at the time of the sale. Brokers generally have internal procedures for executing sales under Rule 144 and will assist you in completing the Form 144 and in complying with the other requirements of Rule 144.

If you are subject to Rule 144, you must instruct your broker who handles trades in Company securities to follow the brokerage firm's Rule 144 compliance procedures in connection with all trades.

COMPANY ASSISTANCE

Any person who has a question about this memorandum or its application to any proposed transaction may obtain additional guidance from the Compliance Officer.

POWER OF ATTORNEY

In order to enable the Company to prepare and file the Forms 4 on a timely basis, it is imperative that you provide a signed power of attorney that is prepared by or acceptable to the Compliance Officer.

SECTION 13

Directors and officers of the Company who are all greater-than-5% beneficial owners of the Company's stock are required to file initial reports under Section 13 of the Exchange Act on a Schedule 13D or Schedule 13G. Amendments to Schedule 13D are required if any material changes in beneficial ownership occur. Moreover, an amendment to each Schedule 13G is due on February 14 of each year if there has been a change in information during the year that has not already been reported. No filing is required where a change in the percentage of shares owned by a reporting person is caused solely be a change in the number of outstanding shares.

ANNUAL CERTIFICATION

Directors and executive officers may be required, on an annual basis, to certify compliance with the attached Policy Statement on Confidential Information and Securities Trading by SUNE Personnel and with the additional provisions of this Director and Executive Officer Addendum.

DO NOT FORGET: ALL TRANSACTIONS IN SUNATION ENERGY, INC.
STOCK BY DIRECTORS AND EXECUTIVE OFFICERS MUST BE PRE-CLEARED
BY CONTACTING THE COMPLIANCE OFFICER OF THE COMPANY

Adopted March 6, 2003; Amended July 28, 2004, February13, 2017 and May 15, 2025.

RE: Certification of the Company’s Policy Statement on Confidential Information and Securities Trading by SUNation Energy, Inc. Directors and Executive Officers

Dear SUNation Energy, Inc. Directors and Executive Officers:

Enclosed is a copy of the Company’s Policy Statement dated May 2025, covering confidential information and securities trading by SUNE personnel. As you will see from the Policy Statement, the consequences of an insider trading violation can be devastating to both the individual involved and SUNE.

Please take a few minutes right now to read the enclosed Policy Statement and Directors and Executive Officers Addendum then sign and return the attached copy of this letter to me.

Sincerely,

CERTIFICATION

The undersigned hereby certifies that he/she has read and understands, and agrees to comply with, the Company’s Policy Statement on Confidential Information and Securities Trading By SUNation Energy, Inc. Directors and Executive Officers Addendum thereto, a copy of each of which was distributed with this letter.

Date:

Signature

Name (please print)

RE: Certification of the Company's Policy Statement on Confidential Information and Securities Trading by SUNation Energy, Inc. Personnel

Dear SUNation Energy, Inc. Personnel:

Enclosed is a copy of the Company's Policy Statement dated May 2025, covering confidential information and securities trading by SUNE personnel. As you will see from the Policy Statement, the consequences of an insider trading violation can be devastating to both the individual involved and SUNE.

Please take a few minutes right now to read the enclosed Policy Statement and then sign and return the attached copy of this letter to me.

Sincerely,

CERTIFICATION

The undersigned hereby certifies that he/she has read and understands, and agrees to comply with, the Company's Policy Statement on Confidential Information and Securities Trading By SUNation Energy, Inc. Personnel, a copy of which was distributed with this letter.

Date:

Signature

Name (please print)

Exhibit 31.1

CERTIFICATION

I, Scott Maskin certify that:

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

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

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

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

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

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

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

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

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

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

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

	/s/ Scott Maskin
	Scott Maskin
Date: May 15, 2025	Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, James Brennan, certify that:

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

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

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

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

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

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

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

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

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

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

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

	/s/ James Brennan
	James Brennan
Date: May 15, 2025	Chief Financial Officer

Exhibit 32

CERTIFICATION

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

(1) The accompanying Quarterly Report on Form 10-Q of SUNation Energy, Inc. (the "Company") for the period ended March 31, 2025 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

	/s/ Scott Maskin
	Scott Maskin
Date: May 15, 2025	Chief Executive Officer
	/s/ James Brennan
	James Brennan
Date: May 15, 2025	Chief Financial Officer