# 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 December 31, 2025**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from to**

**Commission File Number: 001-15957**

# Capstone Green Energy Holdings, Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **20-1514270**<br>(I.R.S. Employer Identification No.) |
| **16640 Stagg Street**<br>**Van Nuys, California**<br>(Address of principal executive offices) | **91406**<br>(Zip Code) |

**818-734-5300**
(Registrant's telephone number, including area code)

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

| Title of each class | Trading Symbol(s) | Name of exchange on which registered |
|---|---|---|
| **Common Stock, par value $0.001 per share** | **CGEH** | * |

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ | Non-accelerated filer ☒ | Smaller reporting company ☒ |
| Emerging growth company ☐ | | | |

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of February 12, 2026, the registrant had 22,976,840 shares of voting common stock, par value $0.001 per share, and 508,475 shares of non-voting common stock, par value $0.001 per share, outstanding.

* The registrant's shares of common stock trade over-the-counter on OTCQX operated on the OTC Markets under the symbol "CGEH."

**CAPSTONE GREEN ENERGY HOLDINGS, INC.**
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## PART I — FINANCIAL INFORMATION

### Item 1. Financial Statements

**CAPSTONE GREEN ENERGY HOLDINGS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands, except share amounts)**
**(Unaudited)**

| | December 31, 2025 | March 31, 2025 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash | $ 14,437 | $ 8,671 |
| Restricted cash (Note 18) | 716 | — |
| Accounts receivable, net of allowances of $1,363 at December 31, 2025 and $607 at March 31, 2025 | 11,423 | 7,037 |
| Inventories | 18,282 | 16,615 |
| Lease receivable, current | 125 | 113 |
| Prepaid expenses and other current assets | 5,213 | 3,653 |
| Total current assets | 50,196 | 36,089 |
| Property, plant, equipment and rental assets, net | 17,859 | 19,362 |
| Intangible assets, net | 3,636 | — |
| Finance lease right-of-use assets | 4,969 | 3,787 |
| Operating lease right-of-use assets | 4,386 | 8,282 |
| Non-current portion of inventories | 2,922 | 3,464 |
| Lease receivable, non-current | 1,085 | 1,175 |
| Other assets | 2,624 | 2,705 |
| Total assets | $ 87,677 | $ 74,864 |
| **Liabilities, Temporary Equity and Stockholders' Deficit** | | |
| Current Liabilities: | | |
| Accounts payable | $ 17,715 | $ 14,092 |
| Accrued expenses | 3,237 | 1,447 |
| Accrued salaries and wages | 2,209 | 2,838 |
| Accrued warranty reserve | 1,139 | 1,070 |
| Deferred revenue, current | 13,775 | 13,351 |
| Deferred acquisition costs, current | 1,678 | — |
| Finance lease liability, current | 1,661 | 2,017 |
| Operating lease liability, current | 1,408 | 3,539 |
| Factory protection plan liability | 4,931 | 6,256 |
| Exit notes, net of discount, current | 25,304 | 7,968 |
| Total current liabilities | 73,057 | 52,578 |
| Deferred revenue, non-current | 729 | 598 |
| Deferred acquisition costs, non-current | 1,881 | — |
| Finance lease liability, non-current | 1,279 | 248 |
| Operating lease liability, non-current | 3,144 | 4,988 |
| Exit notes, net of discount, non-current | — | 24,213 |
| Total liabilities | 80,090 | 82,625 |
| Commitments and contingencies (Note 18) | | |
| Temporary equity: | | |
| Redeemable noncontrolling interests | 70,866 | 13,859 |
| Stockholders' deficit: | | |
| Preferred stock, $.001 par value; 1,000,000 shares authorized, and none issued | — | — |
| Common stock, $.001 par value; 100,000,000 shares authorized, 22,926,208 shares issued and outstanding at December 31, 2025 and 18,643,587 shares issued and outstanding at March 31, 2025 | 23 | 18 |
| Non-voting common stock, $.001 par value; 600,000 shares authorized, 508,475 shares issued and outstanding at December 31, 2025 and March 31, 2025 | 1 | 1 |
| Additional paid-in capital | 912,592 | 955,407 |
| Accumulated deficit | (975,679) | (977,000) |
| Treasury stock, at cost; 215,338 shares at December 31, 2025 and 57,202 shares at March 31, 2025 | (216) | (46) |
| Total stockholders' deficit | (63,279) | (21,620) |
| Total liabilities, temporary equity and stockholders' deficit | $ 87,677 | $ 74,864 |

See accompanying notes to condensed consolidated financial statements.

**CAPSTONE GREEN ENERGY HOLDINGS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, except per share data)**
**(Unaudited)**

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| | **2025** | **2024** | **2025** | **2024** |
| Revenue, net: | | | | |
| Product and accessories | $ 13,573 | $ 8,272 | $ 45,405 | $ 24,965 |
| Parts and services | 9,327 | 7,405 | 25,126 | 23,166 |
| Rentals | 3,862 | 4,471 | 12,487 | 10,382 |
| Total revenue, net | 26,762 | 20,148 | 83,018 | 58,513 |
| Cost of goods sold: | | | | |
| Product and accessories | 12,714 | 9,073 | 41,394 | 25,622 |
| Parts and services | 1,155 | 3,929 | 8,115 | 10,127 |
| Rentals | 2,465 | 2,152 | 6,555 | 6,974 |
| Total cost of goods sold | 16,334 | 15,154 | 56,064 | 42,723 |
| Gross profit | 10,428 | 4,994 | 26,954 | 15,790 |
| Operating expenses: | | | | |
| Research and development | 971 | 744 | 2,594 | 1,882 |
| Selling, general and administrative | 7,409 | 6,313 | 21,125 | 19,496 |
| Total operating expenses | 8,380 | 7,057 | 23,719 | 21,378 |
| Income (loss) from operations | 2,048 | (2,063) | 3,235 | (5,588) |
| Other income, net | 208 | 364 | 1,185 | 1,577 |
| Interest income | 70 | 4 | 177 | 6 |
| Interest expense | (1,136) | (986) | (3,262) | (3,003) |
| Income (loss) before provision for income taxes | 1,190 | (2,681) | 1,335 | (7,008) |
| Provision for income taxes | 5 | 23 | 14 | 56 |
| Net income (loss) | $ 1,185 | $ (2,704) | $ 1,321 | $ (7,064) |
| | | | | |
| Net Income (loss) per share of common stock and non-voting common stock—basic and dilutive (Note 13) | $ (1.79) | $ (0.14) | $ (2.79) | $ (0.37) |
| Weighted average shares used to calculate basic net loss per share of common stock and non-voting common stock | 21,051 | 19,049 | 19,945 | 19,049 |

See accompanying notes to condensed consolidated financial statements.

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**CAPSTONE GREEN ENERGY HOLDINGS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN TEMPORARY EQUITY AND STOCKHOLDERS' DEFICIT**
**(In thousands, except share amounts)**
**(Unaudited)**

| | Temporary Equity | | Permanent Equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Redeemable Noncontrolling Interest | | Common Stock | | Non-Voting Common Stock | | Additional Paid-in | Accumulated | Treasury Stock | | Total Stockholders' |
| | LLC Units | Amount | Shares | Amount | Shares | Amount | Capital | Deficit | Shares | Amount | Deficit |
| Balance, March 31, 2025 | 10,449,863 | $ 13,859 | 18,643,587 | $ 18 | 508,475 | $ 1 | $ 955,407 | $ (977,000) | 57,202 | (46) | $ (21,620) |
| Purchase of treasury stock | — | — | (119,292) | — | — | — | — | — | 119,292 | (88) | (88) |
| Vested restricted stock units | — | — | 355,153 | 1 | — | — | — | — | — | — | 1 |
| Stock-based compensation | — | — | — | — | — | — | 358 | — | — | — | 358 |
| Net loss | — | — | — | — | — | — | — | (698) | — | — | (698) |
| Balance, June 30, 2025 | 10,449,863 | 13,859 | 18,879,448 | 19 | 508,475 | 1 | 955,765 | (977,698) | 176,494 | $ (134) | (22,047) |
| Purchase of treasury stock | — | — | (32,304) | — | — | — | — | — | 32,304 | (75) | (75) |
| Vested restricted stock awards (1) | — | — | 99,064 | — | — | — | — | — | — | — | — |
| Stock-based compensation | — | — | — | — | — | — | 111 | — | — | — | 111 |
| Change in value of temporary equity | — | 18,183 | — | — | — | — | (18,183) | — | — | — | (18,183) |
| Net income | — | — | — | — | — | — | — | 834 | — | — | 834 |
| Balance, September 30, 2025 | 10,449,863 | 32,042 | 18,946,208 | 19 | 508,475 | 1 | 937,693 | (976,864) | 208,798 | $ (209) | (39,360) |
| Purchase of treasury stock | — | — | — | — | — | — | — | — | 6,540 | (7) | (7) |
| Stock-based compensation | — | — | — | — | — | — | 131 | — | — | — | 131 |
| Issuance of new common stock | — | — | 3,980,000 | 4 | — | — | 7,213 | — | — | — | 7,217 |
| Issuance of prefunded warrants | — | — | — | — | — | — | 6,379 | — | — | — | 6,379 |
| Change in value of temporary equity | — | 38,824 | — | — | — | — | (38,824) | — | — | — | (38,824) |
| Net Income | — | — | — | — | — | — | — | 1,185 | — | — | 1,185 |
| Balance, December 31, 2025 | 10,449,863 | 70,866 | 22,926,208 | 23 | 508,475 | 1 | 912,592 | (975,679) | 215,338 | (216) | (63,279) |

| | Temporary Equity | | Permanent Equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Redeemable Noncontrolling Interest | | Common Stock | | Non-Voting Common Stock | | Additional Paid-in | Accumulated | Treasury Stock | | Total Stockholders' |
| | LLC Units | Amount | Shares | Amount | Shares | Amount | Capital | Deficit | Shares | Amount | Deficit |
| Balance, March 31, 2024 | 10,449,863 | $ 13,859 | 18,540,789 | $ 18 | 508,475 | $ 1 | $ 955,145 | $ (969,810) | — | — | $ (14,646) |
| Stock-based compensation | — | — | — | — | — | — | 57 | — | — | — | 57 |
| Net loss | — | — | — | — | — | — | — | (3,937) | — | — | (3,937) |
| Balance, June 30, 2024 | 10,449,863 | 13,859 | 18,540,789 | 18 | 508,475 | 1 | 955,202 | (973,747) | — | — | (18,526) |
| Stock-based compensation | — | — | — | — | — | — | 52 | — | — | — | 52 |
| Net loss | — | — | — | — | — | — | — | (423) | — | — | (423) |
| Balance, September 30, 2024 | 10,449,863 | 13,859 | 18,540,789 | 18 | 508,475 | 1 | 955,254 | (974,170) | — | — | (18,897) |
| Stock-based compensation | — | — | — | — | — | — | 59 | — | — | — | 59 |
| Net loss | — | — | — | — | — | — | — | (2,704) | — | — | (2,704) |
| Balance, December 31, 2024 | 10,449,863 | $ 13,859 | 18,540,789 | $ 18 | 508,475 | $ 1 | $ 955,313 | $ (976,874) | — | $ — | $ (21,542) |

(1) The common stock par value in total does not change the total common stock par value presented in thousands.

See accompanying notes to condensed consolidated financial statements.

**CAPSTONE GREEN ENERGY HOLDINGS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Nine Months Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| **Cash Flows from Operating Activities:** | | |
| Net income (loss) | $ 1,321 | $ (7,064) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,152 | 3,023 |
| Amortization of financing costs and discounts | 89 | 71 |
| Paid-in-kind interest expense | 1,365 | 2,714 |
| Interest related to deferred acquisition costs | 132 | — |
| Non-cash lease expense | 2,188 | 2,957 |
| Provision for credit loss expense | 399 | 621 |
| Inventory write-down | 581 | 639 |
| Provision (benefit) for warranty expenses | 145 | (203) |
| Stock-based compensation | 590 | 168 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (6,659) | (6,066) |
| Inventories | (946) | 4,279 |
| Lease receivable | 443 | — |
| Prepaid expenses, other current assets and other assets | (1,528) | 1,887 |
| Accounts payable | 4,878 | (552) |
| Accrued expenses | 1,243 | (54) |
| Operating lease liability, net | (2,266) | (2,988) |
| Accrued salaries and wages and long-term liabilities | (1,239) | (166) |
| Accrued warranty reserve | (76) | (154) |
| Deferred revenue | (513) | 4,083 |
| Factory protection plan liability | (1,324) | (961) |
| Net cash provided by operating activities | 1,975 | 2,234 |
| **Cash Flows from Investing Activities:** | | |
| Total business combination consideration, net of cash acquired | 1,410 | — |
| Expenditures for property, plant, equipment and rental assets | (773) | (841) |
| Net cash provided by (used) in investing activities | 637 | (841) |
| **Cash Flows from Financing Activities:** | | |
| Acquisition of treasury stock | (210) | — |
| Proceeds from the PIPE, net (Note 12) | 13,592 | — |
| Repayment of Exit Note (Note 8) | (8,331) | — |
| Repayment of finance lease obligations | (1,181) | (164) |
| Net cash provided by (used in) financing activities | 3,870 | (164) |
| Net increase in Cash | 6,482 | 1,229 |
| Cash, Beginning of Period | 8,671 | 2,085 |
| Cash and restricted cash, End of Period | $ 15,153 | $ 3,314 |
| Cash paid during the period for: | | |
| Interest | $ 1,838 | $ 97 |
| Income taxes | $ 119 | $ 100 |
| **Supplemental Disclosures of Non-Cash Information:** | | |
| Right-of-use assets obtained in exchange for operating lease obligations | $ 1,419 | $ — |
| Right-of-use assets obtained in exchange for finance lease obligations | $ 1,720 | $ — |
| Rental assets transferred to inventory | $ — | $ 3,067 |
| Acquisition of treasury stock with accrued liabilities | $ 46 | $ — |
| Settlement of lease liabilities through accounts receivable | $ 979 | $ 572 |
| Operating lease modified to finance lease | $ 614 | $ — |
| Accounts payable negotiated in lease modification | $ 1,289 | $ — |

See accompanying notes to condensed consolidated financial statements.

**CAPSTONE GREEN ENERGY HOLDINGS, INC. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
(Unaudited)

**1. Business and Organization**

Capstone Green Energy Holdings, Inc. (the "Company"), the public successor to Capstone Green Energy Corporation, together with its consolidated operating subsidiary Capstone Green Energy LLC (the "Operating Subsidiary") is a provider of customized microgrid solutions, on-site resilient Energy-as-a-Service ("EaaS") solutions and distributed on-site energy technology systems. The Company provides behind-the-meter microturbine energy solutions for industrial and commercial customers, including applications for data centers, station power, and port operations, focused addressing the "Energy Trilemma" of resiliency, sustainability, and affordability.

The Company's offerings include stationary distributed power generation and energy distribution solutions, including cogeneration systems such as combined heat and power ("CHP"), integrated combined heat and power ("ICHP"), and combined cooling, heat and power ("CCHP"), as well as solutions for renewable energy, natural resources, and critical power supply applications. The Company's inverter-based technologies enable operation in parallel with the electric grid or in island mode within localized microgrids.

The Company's energy conversion products business line is driven by its industry-leading, highly efficient, low-emission and resilient microturbine energy systems, which offer configurations and customer-tailored solutions. Through its EaaS business line, the Company provides build, own, operate and maintain ("BOOM") and energy rental solutions utilizing its microturbine energy systems.

The Company offers long-term maintenance agreements (LTMAs) that reduce operating risk and provide predictable maintenance costs over the life of the equipment, with flexible access to Original Equipment Manufacturer ("OEM") parts.

As a result of past delays in filing the Company's periodic reports with the Securities Exchange Commission (the "SEC") and the requirements relating to Market Value of Listed Securities ("MVLS"), the Company was unable to comply with the Nasdaq listing standards, and as a result, the Company's common stock was suspended from trading on the Nasdaq Capital Market effective October 5, 2023 and formally delisted effective October 23, 2023. Following completion of the financial statement restatements for Fiscal 2022 and 2023 and completion of the filings for Fiscal 2024, the Company became current with all periodic filings with the SEC. Effective January 2, 2025, the Company's common stock began trading on the over-the-counter market ("OTC"). On September 26, 2025, the Company's common stock was approved for quotation on the OTCQX Best Market, under the symbol "CGEH."

All references in these footnotes to "the Company," "we," "us," "our," or "Capstone" are to Capstone Green Energy Holdings, Inc. and its consolidated subsidiaries.

**2. Basis of Presentation, Significant Accounting Policies and Going Concern**

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the instructions to Form 10-Q and Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). They do not include all of the information and footnotes required by GAAP for complete financial statements. The Condensed Consolidated Balance Sheet as of March 31, 2025, was derived from audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2025. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the interim Condensed Consolidated Financial Statements include all adjustments (including normal recurring adjustments) necessary for a fair presentation of the financial condition, results of operations and cash flows for such periods. Results of operations for any interim period are not necessarily indicative of results for any other interim period or for the full year. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2025, filed with the SEC on June 27, 2025. This Quarterly Report on Form 10-Q (this "Form 10-Q") refers to the Company's fiscal years ending March 31 as its Fiscal years.

***Basis for Consolidation*** The Condensed Consolidated Financial Statements included in this filing include the accounts of the Company, the Operating Subsidiary, Capstone Turbine Financial Services, LLC, its wholly owned subsidiary formed in October 2015, and Cal Microturbine LLC ("Cal Microturbine") after elimination of inter-company transactions.

***Reclassification*** Certain items in prior financial statements have been reclassified to conform to the current presentation and provide comparability but have no effect on the reported financial statements.

***Significant Accounting Policies*** Except as described below, there have been no changes to the Company's significant accounting policies described in the Annual Report on Form 10-K for Fiscal Year 2025 filed with the SEC, that have had a material impact on the Company's Condensed Consolidated Financial Statements. See Note 20 – Business Combinations in the Notes to Condensed Consolidated Financial Statements for information on our acquisition of Cal Microturbine.

***Going Concern*** In connection with the preparation of these Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2025, management evaluated whether there were conditions and events, considered in the aggregate, that raised substantial doubt about the Company's ability to meet its obligations as they become due over the next twelve months from the date of the issuance of the financial statements. As of December 31, 2025, the Company had cash of $15.2 million, which includes restricted cash of $0.7 million, and a working capital deficit of $22.9 million. The Company had net income of $1.2 million and $1.3 million during the three and nine months ended December 31, 2025, respectively.

The Exit Roll Up Notes will mature on December 7, 2026 (see Note 8 – Debt in the Notes to Condensed Consolidated Financial Statements for further discussion). The Company may not have sufficient internally generated cash and is evaluating options to obtain sufficient financing to satisfy the obligations of the Exit Roll Up Notes. If the Company is unable to repay the obligations of the Exit Roll Up Notes on the maturity date, it will be in default under the Exit Note Purchase Agreement (as defined in Note 8 – Debt), which may result in, among other things, default interest or an acceleration of all obligations. It is not certain whether the Company will have, or will be able to obtain, sufficient funds to make any such accelerated payments. If any outstanding indebtedness under the Exit Note Purchase Agreement is accelerated, the Company's assets may not be sufficient to repay such indebtedness. The Company and its advisors are considering various alternatives to address the upcoming maturity of the Exit Roll Up Notes, which may include issuances of equity or the incurrence of additional indebtedness; however, there can be no assurance that the Company will be successful in refinancing the Exit Roll Up Notes.

Given the Company's current cash position, short term debt repayments, limits to accessing capital and debt funding options, and current economic and market risks, there exists substantial doubt regarding the Company's ability to continue as a going concern and its ability to meet its financial obligations as they become due over the next twelve months from the date of issuance of the financial statements as of, and for the period ended December 31, 2025. See the discussion under "Management's Discussion and Analysis – Liquidity and Capital Resources" for additional information. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, and do not include any adjustments that might result from the outcome of this uncertainty.

The Company has developed a plan to improve future financial performance. The plan includes multiple process improvement workstreams intended to drive operational and financial performance. The process improvement initiatives are supported with external resources as needed for a specific level of expertise. The plan includes cost reduction in products, services and operating expenses, additional margin expansion through price increases, and sales volume initiatives focused on improving the Company's liquidity. Achieving the targeted product cost reductions has risk, and is being challenged by the current geopolitical environment, including the impact of tariffs. There is no guarantee that such steps will be successful or result in our ability to meet our payment obligations coming due within the twelve-month period after the date of this report.

**3. Recently Issued Accounting Pronouncements**

*Not Yet Adopted*

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes: Improvements to Income Tax Disclosures* (Topic 740), which requires that an entity, on an annual basis, disclose additional income tax information, primarily related to the rate reconciliation and income taxes paid. The amendment in the ASU is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments in this update are effective for annual periods beginning after December 15, 2024, early adoption is permitted. We are evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40)*. The guidance was further clarified for the effective date by ASU 2025-01. The new guidance requires disaggregated information about certain income statement expense line items on an annual and interim basis. This guidance will be effective for all public business entities for fiscal years beginning after December 15, 2026, and for interim within fiscal years beginning after December 15, 2027, early adoption is permitted. This would be effective for the Company in Fiscal 2028 and for interim reporting periods beginning with the first quarter of Fiscal 2029. We are evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

In July 2025, the FASB issued ASU No. 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The guidance provides an optional practical expedient when applying the guidance related to the estimation of expected credit losses for current accounts receivable and current contract assets resulting from transactions arising from contracts with customers. The amendments in ASU 2025-05 are effective for fiscal years beginning after December 15, 2025, and interim reporting periods, with early adoption permitted. We are evaluating the impact of the standard on the consolidated financial statements.

**4. Customer Concentrations and Accounts Receivable**

Accounts receivables are presented on the Condensed Consolidated Balance Sheets, net of estimated credit losses. The Company applies the aging method by pooling receivables based on levels of delinquency and applying historical loss rates on what has been historically uncollectible by aging categories. The historical loss rate is adjusted for current conditions and reasonable and supportable forecasts of future losses, as necessary. Additionally, the allowance for credit loss calculation includes subjective adjustments for qualitative risk factors that could likely cause estimated credit losses to differ from historical experience. The factors include assessments of various economic conditions, significant events that have or will occur, geographic location, size and credit ratings of the customers. The Company may also record a specific reserve for individual accounts when the Company becomes aware of specific customer circumstances, such as in the case of a bankruptcy filing or deterioration in the customer's operating results or financial position. Accounts deemed uncollectible are written off against the allowance for credit loss.

Changes in the current expected credit losses ("CECL") allowance for accounts receivable are as follows (in thousands):

| | | |
|---|---|---|
| Balance, March 31, 2025 | $ | 607 |
| Provision for credit loss | | 763 |
| Write-offs | | (7) |
| Balance, December 31, 2025 | $ | 1,363 |

Sales to DTC Soluciones ("DTC"), one of the Company's distributors, accounted for 27% of revenue for the three months ended December 31, 2025. Sales to E-Finity Distributed Generation ("E-Finity"), Lone Star Power Solutions, LLC ("Lone Star") and Cal Microturbine, LLC ("Cal Microturbine"), three of the Company's distributors, accounted for 15%, 14% and 11% of revenue for the three months ended December 31, 2024, respectively. Sales to Cal Microturbine, E-Finity, DTC and Lone Star, four of the Company's distributors, accounted for 20%, 17%, 12% and 10% of revenue for the nine months ended December 31, 2025, respectively. On August 13, 2025, the Company completed its acquisition of Cal Microturbine. Refer to Note 20— Business Combination for further details. E-Finity and Lone Star, two of the Company's distributors, accounted for 16% and 13% of revenue for the nine months ended December 31, 2024, respectively.

Additionally, Supernova Energy Services SAS and RSP Systems, two of the Company's distributors, accounted for 16% and 11% of accounts receivable as of December 31, 2025, respectively. Lone Star and Optimal Group Australia accounted for 18% and 10% of accounts receivable as of March 31, 2025, respectively. The Company recorded a credit loss expense of zero and $0.2 million during the three months ended December 31, 2025 and 2024, respectively. The Company recorded a credit loss expense of $0.4 million and $0.6 million during the nine months ended December 31, 2025 and 2024, respectively.

**5. Inventories**

Inventories are valued at the lower of cost (determined on a first-in, first-out (“FIFO”) basis) or net realizable value and consisted of the following (in thousands):

| | December 31, 2025 | March 31, 2025 |
|---|---|---|
| Raw materials | $ 21,044 | $ 19,914 |
| Finished goods | 160 | 165 |
| Total | 21,204 | 20,079 |
| Less: non-current portion | (2,922) | (3,464) |
| Total inventory, net non-current portion | $ 18,282 | $ 16,615 |

The non-current portion of inventories represents that portion of inventories in excess of amounts expected to be sold or used in the next twelve months. The non-current inventories are primarily comprised of parts for older generation products that are still in operation but are not technologically compatible with current configurations. The Company expects to use the non-current portion of the inventories on hand as of December 31, 2025 over the periods presented in the following table (in thousands):

| Expected Period of Use | Non-current Inventory Balance Expected to be Used |
|---|---|
| 13 to 24 months | $ 874 |
| 25 to 36 months | 2,048 |
| Total | $ 2,922 |

**6. Property, Plant, Equipment and Rental Assets**

Property, plant, equipment and rental assets consisted of the following (in thousands):

| | December 31, 2025 | March 31, 2025 |
|---|---|---|
| Machinery, equipment, automobiles and furniture | $ 15,241 | $ 14,467 |
| Leasehold improvements | 8,955 | 8,919 |
| Molds and tooling | 3,510 | 3,510 |
| Rental assets | 27,963 | 27,963 |
| Total property, plant, equipment and rental assets | 55,669 | 54,859 |
| Less: accumulated depreciation | (37,810) | (35,497) |
| Total property, plant, equipment and rental assets, net | $ 17,859 | $ 19,362 |

The Company regularly assesses the useful lives of property and equipment and retires assets no longer in service. Depreciation expense for property, plant, equipment and rental assets was $1.0 million and $0.9 million for the three months ended December 31, 2025 and 2024, respectively. The depreciation expense was $2.9 million and $3.0 million for the nine months ended December 31, 2025 and 2024, respectively.

**7. Accrued Warranty Reserve**

The Company provides for the estimated costs of warranties at the time revenue is recognized. The specific terms and conditions of those warranties vary depending upon the microturbine product sold and the geography of sale. The Company’s product warranties generally start from the delivery date and continue for up to twenty-four months. Factors that affect the Company’s warranty obligation include product failure rates, anticipated hours of product operations and costs of repair or replacement in correcting product failures. These factors are estimates that may change based on new information that becomes available each period. Similarly, the Company also accrues the estimated costs to address reliability repairs on products no longer in warranty when, in the Company’s judgment, and in accordance with a specific plan developed by the Company, it is prudent to provide such repairs. The Company assesses the adequacy of recorded warranty liabilities quarterly and adjusts to the liability, as necessary. When the Company has sufficient evidence that product changes are altering the historical failure occurrence rates, the impact of such changes is incorporated in estimating future warranty liabilities.

Changes in the accrued warranty reserve consisted of the following (in thousands):

| | Nine Months Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| Balance, beginning of the fiscal year | $ 1,070 | $ 1,437 |
| Standard warranty provision | 145 | (203) |
| Deductions for warranty claims | (76) | (154) |
| Balance, end of the period | $ 1,139 | $ 1,080 |

**8. Debt**

*Exit Note Purchase Agreement*

The Company entered into an exit facility on December 7, 2023 (the "Exit Note Purchase Agreement"), for an aggregated principal amount of $28.1 million, consisting of $21.1 million of Exit Roll Up Notes, including accrued and unpaid interest and commitment fees and $7.0 million of Exit New Money Notes (together the "Exit Notes") subject to the terms and conditions set forth in the Exit Note Purchase Agreement by and among Operating Subsidiary, as the issuer, the Company and Capstone Financial Services, as the guarantors (the "Guarantors"), Broad Street Credit Holdings LLC (the "Purchaser") and Goldman Sachs Specialty Lending Holdings, Inc. (the "Collateral Agent").

The Exit Note Purchase Agreement also provides for a $10.0 million uncommitted incremental facility. The proceeds from the fully drawn $7.0 million of Exit New Money Notes were used to fund restructuring expenses and for working capital and general corporate purposes. The Exit Notes bear interest at a rate equal to the Adjusted Term SOFR (as defined in the Exit Note Purchase Agreement) plus 7.00% per annum. A portion of the interest on the Exit Notes was paid-in-kind until the third year following December 7, 2023.

The Exit Roll Up Notes mature on December 7, 2026, and the Exit New Money Notes matured on December 7, 2025.

The scheduled maturities of the Company's debt are as follows as of December 31, 2025:

| Year Ending March 31, | |
|---|---|
| 2026 (remainder of fiscal year) | $ — |
| 2027 | 25,384 |
| 2028 | — |
| 2029 | — |
| 2030 | — |
| Thereafter | — |
| Total principal payments and debt maturities | 25,384 |
| Less unamortized issuance costs | (80) |
| Net principal payments and debt maturities | $ 25,304 |

The Exit Notes issued pursuant to the Exit Note Purchase Agreement are secured by a lien on substantially all of the property and assets of the Operating Subsidiary and each Guarantor, subject to customary exceptions and exclusions. The Exit Note Purchase Agreement also includes conditions precedent, representations and warranties, affirmative and negative covenants, events of default, and other customary provisions, including financial covenants with respect to minimum consolidated liquidity and minimum consolidated adjusted EBITDA.

If defaults occur, the Purchaser and the Collateral Agent can exercise their rights and remedies under the Exit Note Purchase Agreement (and other security-related documents), including a right to accelerate the maturity of the Company's repayment obligations under the Exit Roll Up Notes. The Company has the right to cure an event of default for a breach of the consolidated adjusted EBITDA covenant with a prepayment on the Exit Roll Up Notes up to the amount that is required to achieve the minimum consolidated adjusted EBITDA covenant for the quarter. In the event the Company does not cure the breach, the requisite Purchaser may cause the Collateral Agent to enforce any and all liens and security interests created pursuant to the Collateral Documents and may enforce any and all rights and remedies available. The Company believes it is probable the consolidated liquidity and consolidated adjusted EBITDA financial covenants discussed below will be satisfied for all measurement dates in the upcoming 12 months.

On June 28, 2024, the Company entered into the First Amendment (the "First Amendment") to the Exit Note Purchase Agreement. The First Amendment provides for: (i) the amendment of the minimum consolidated adjusted

EBITDA financial covenant to (a) allow adjustment for costs related to the restatement of, or other adjustments to, the financial statements of the Company for the period beginning on the Closing Date (as defined in the Exit Note Purchase Agreement) and ending at the end of the 2025 Fiscal Year and (b) the minimum consolidated adjusted EBITDA financial covenant to be first tested at the quarter ended September 30, 2024, (ii) the amendment of the minimum consolidated liquidity financial covenant to (a) reduce the minimum consolidated liquidity to $1,000,000 from September 30, 2024 to March 30, 2025 and (b) defer the testing of the minimum consolidated liquidity financial covenant to September 30, 2024 and (iii) the extension of the deadline for the delivery of the Company's audited financial statements for the fiscal year ended March 31, 2024 (the "Fiscal 2024 Financial Statements") to September 27, 2024 and the removal of the covenant that the Fiscal 2024 Financial Statements be accompanied by a report and opinion of an independent certified public accountant which is not subject to any "going concern" or like qualification.

The minimum consolidated liquidity covenant will be tested at all times from and after September 30, 2024, and requires the Company and its subsidiaries to maintain a minimum average Consolidated Liquidity (as defined in the First Amendment) during any seven consecutive day period of no less than:

(i) from September 30, 2024 to March 30, 2025, $1,000,000;

(ii) from March 31, 2025 to July 30, 2025, $2,500,000;*

(iii) from July 31, 2025 to September 29, 2025, $3,000,000;*

(iv) from September 30, 2025 to March 30, 2026, $3,500,000; and

(v) from March 31, 2026 to December 7, 2026, $4,000,000.

*On June 23, 2025 the Company received an additional waiver to defer the minimum liquidity increase from $2.5 million to $3.0 million from June 30, 2025 to July, 31, 2025.

The minimum consolidated adjusted EBITDA covenant will be tested on the last day of each fiscal quarter, commencing with September 30, 2024, and will require the Company and its subsidiaries to maintain a minimum consolidated adjusted EBITDA (as defined in the First Amendment) as at the end of any fiscal quarter (i) from the Closing Date until September 30, 2024, for the period of the fiscal quarters then ended in such calendar year and (ii) from October 1, 2024, for the four fiscal quarter period then ended, to not be less than the correlative amount indicated below (with corresponding calendar quarters also included as reference):

| Fiscal Quarter Ending | Consolidated Adjusted EBITDA |
|---|---|
| September 30, 2024 | $2,500,000 |
| December 31, 2024 | $4,000,000 |
| March 31, 2025 | $5,000,000 |
| June 30, 2025 | $5,500,000 |
| September 30, 2025 | $6,000,000 |
| December 31, 2025 | $6,500,000 |
| March 31, 2026 | $8,000,000 |
| June 30, 2026 | $8,000,000 |
| September 30, 2026 | $8,000,000 |

On August 13, 2025, the Company entered into the Consent to Cal Micro Acquisition and Second Amendment (the "Consent and Second Amendment") to the Note Purchase Agreement, dated December 7, 2023 (as amended, the "NPA"), by and among Capstone Green Energy LLC, a Delaware limited liability company (the "Buyer"), the Company and Capstone Turbine Financial Services, LLC, a Delaware limited liability company, as guarantors, Goldman Sachs Specialty Lending Group, L.P., a Delaware limited partnership, as collateral agent for the purchasers from time to time party thereto and Capstone Distributor Support Services Corporation, a Delaware corporation, as Purchaser. (as defined in the NPA, as amended by the Consent and Second Amendment).

As of December 31, 2025, the Company has an outstanding Exit Roll Up Notes balance of $25.3 million, comprised of $21.1 million of principal and $4.3 million of total PIK interest, less debt issuance costs of $0.1 million. Debt issuance costs in relation to the Exit New Money Notes and the Exit Roll Up Notes are being amortized over the term at an effective interest rate of 11.31% as of December 31, 2025. In December 2025, the Company repaid the Exit New Money Notes in full, including $7.0 million in principal and $1.3 million of associated interest. As of December 31, 2025, the Company was in compliance with all financial covenants. The Company incurred total cash interest expense on the debt during the three months and nine months ended December 31, 2025 of approximately $0.5 million and $1.0 million, respectively. The Company did not incur any cash interest expense on the debt during the three and nine months ended December 31, 2024.

**9. Leases**

**Lessor**

The Company rents microturbine equipment to its customers for terms ranging from a couple of months to up to ninety-six months with most of the leases generally with thirty-six month terms with an extension option, which may impact the lease term. The leases may provide the lessee with the option to purchase the underlying assets at the end of the lease term. Monthly rental payments are fixed; however, the leases may include variable payments for fuel, excess labor, additional equipment, or technician labor and engineering support. The leases are classified as either sales-type leases or operating leases, as appropriate. As further described below, the Company rents certain microturbine equipment back from customers and subleases this equipment to end users as a part of its Energy-as-a-Service business.

At December 31, 2025, the Company's minimum rental revenue to be received was as follows (in thousands):

| **Year Ending March 31,** | **Leased Assets** | **Owned and Financed Assets** |
|---|---|---|
| 2026 (remainder of fiscal year) | $ 1,131 | $ 2,016 |
| 2027 | 2,410 | 5,432 |
| 2028 | 444 | 1,297 |
| 2029 | — | 6 |
| 2030 | — | — |
| Thereafter | — | — |
| Total minimum rental revenue | $ 3,985 | $ 8,751 |

At December 31, 2025, the Company's future scheduled minimum payments to be received from its sales-type lease was as follows (in thousands):

| **Year Ending March 31,** | |
|---|---|
| 2026 (remainder of fiscal year) | $ 66 |
| 2027 | 264 |
| 2028 | 264 |
| 2029 | 264 |
| 2030 | 264 |
| Thereafter | 528 |
| Total minimum lease payments | $ 1,650 |
| Less: imputed interest | (525) |
| Plus: unguaranteed residual value | 85 |
| Present value of lease receivable | $ 1,210 |

The Company recognized less than $0.1 million of interest income related to lease receivables during the three and nine months ended December 31, 2025. There was no interest income related to lease receivables during the three and nine months ended December 31, 2024.

| | **December 31, 2025** | **March 31, 2025** |
|---|---|---|
| Gross receivables | $ 1,125 | $ 1,209 |
| Unguaranteed residual value | 85 | 79 |
| Total, net | $ 1,210 | $ 1,288 |
| Reported as: | | |
| Current | 125 | 113 |
| Long-Term | 1,085 | 1,175 |
| Total, net | $ 1,210 | $ 1,288 |

**Lessee**

The Company leases facilities and equipment under various non-cancelable operating and finance leases expiring at various times through Fiscal 2029. All of the leases require the Company to pay maintenance, insurance and property taxes. The lease agreements for primary office and manufacturing facilities provide for rent escalation over the lease term and renewal options for five-year periods. Lease expense is recognized on a straight-line basis over the term of the lease, which may include extension periods.

During the nine months ended December 31, 2025, the Company did not enter into new rental agreements to rent used microturbine equipment from customers where that equipment was not currently in use. The Company may enter into lease modifications from time to time, and the Company modified four of their current lease agreements during the nine months ended December 31, 2025. The existing rental agreements provide the Company an option to extend the lease, however, the Company is not likely to exercise these options and therefore they are not included in the determination of the lease term. As of December 31, 2025, lease commitments totaled approximately 19.0 megawatts of microturbines and had an average term of 33 months and a total remaining commitment value of approximately $6.8 million.

The components of lease expense were as follows (in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Finance lease costs (1) | $ 387 | $ 177 | $ 811 | $ 552 |
| Operating lease costs | 835 | 1,324 | 1,670 | 4,011 |
| Variable lease expense | 63 | — | 146 | — |
| Total lease costs | $ 1,285 | $ 1,501 | $ 2,627 | $ 4,563 |

(1) Interest expense is included in finance lease costs.

Supplemental balance sheet information related to the leases was as follows (dollars in thousands):

| | December 31, 2025 | March 31, 2025 |
|---|---|---|
| Finance lease right-of-use assets | $ 4,969 | $ 3,787 |
| Operating lease right-of-use assets | 4,386 | 8,282 |
| Total right-of-use assets | $ 9,355 | $ 12,069 |
| | | |
| Finance lease liability, current | $ 1,661 | $ 2,017 |
| Operating lease liability, current | 1,408 | 3,539 |
| Finance lease liability, non-current | 1,279 | 248 |
| Operating lease liability, non-current | 3,144 | 4,988 |
| Total lease liabilities | $ 7,492 | $ 10,792 |
| **Finance leases:** | | |
| Weighted average remaining lease life | 1.05 years | 0.42 years |
| Weighted average discount rate | 12.50% | 12.81% |
| **Operating leases:** | | |
| Weighted average remaining lease life | 5.37 years | 4.41 years |
| Weighted average discount rate | 11.04% | 12.33% |

Supplemental cash flow information related to the leases was as follows (in thousands):

| | Nine Months Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Finance cash flows from finance leases | $ 2,267 | $ 736 |
| Operating cash flows from finance leases | $ 224 | $ 98 |
| Operating cash flows from operating leases | $ 2,772 | $ 4,041 |
| Change in Right-of-use assets through modification of lease obligations | | |
| Finance leases | $ 1,720 | $ — |
| Operating leases | $ (1,419) | $ — |

At December 31, 2025, the Company's minimum commitments under non-cancelable operating and finance leases were as follows (in thousands):

| **Year Ending March 31,** | **Finance Leases** | **Operating Leases** |
|---|---|---|
| 2026 (remainder of fiscal year) | $ 513 | $ 926 |
| 2027 | 1,720 | 1,229 |
| 2028 | 868 | 1,111 |
| 2029 | 197 | 854 |
| 2030 | — | 256 |
| Thereafter | — | 1,626 |
| Total lease payments | $ 3,298 | $ 6,002 |
| Less: imputed interest | (358) | (1,450) |
| Present value of lease liabilities | $ 2,940 | $ 4,552 |

**10. Revenue Recognition**

The Company derives its revenues primarily from the sale of microturbine products, accessories, parts, equipment rentals and services.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

*Microturbine Products* The Company recognizes revenue when the performance obligation identified under the terms of the contract with its customer is satisfied, which generally occurs, for microturbine products, upon the transfer of control in accordance with the contractual terms and conditions of the sale. The majority of the Company's revenue associated with a microturbine product is recognized at a point in time when the microturbine product is shipped to the customer. On occasion, the Company enters into bill-and-hold arrangements. Each bill-and-hold arrangement is reviewed and revenue is recognized only when certain criteria have been met: (i) the reason for the bill-and-hold arrangement is substantive; (ii) the product is segregated from the Company's other inventory items held for sale; (iii) the product is ready for shipment to the customer; and (iv) the Company does not have the ability to use the product or direct it to another customer.

Advanced payments in the form of customer deposits are received on these contracts, typically providing for a substantial portion of the contract value to be paid prior to shipment. Advance payments are not considered a significant financing component as they are typically received less than one year before the related performance obligations are satisfied. Payment terms in contracts with customers typically are 30 or 60 days. The Company extends payment terms past 60 days only on a limited basis, and thus any financing component is not considered material.

*Accessories and Parts* The Company recognizes revenue when performance obligations identified under the terms of contracts with its customers are satisfied, which generally occurs, for accessories and parts, upon the transfer of control in accordance with the contractual terms and conditions of the sale. The revenue associated with accessories and parts is recognized at a point in time when the material is shipped to the customer.

*Warranty Services* Revenue from extended warranties is recognized when or as the obligations are satisfied. There are two types of warranties: standard (assurance) and extended warranties. Standard warranties do not represent separate performance obligations but are reflected as a liability associated with the purchase of the product. Extended warranties are separate offerings typically for 12-, 24- or 36-month periods beyond the standard warranty that are separate performance obligations recognized as an over-time performance obligation based on the extended warranty period. The Company records amounts billed to customers for reimbursement of shipping and handling costs within revenue. Shipping and handling costs associated with outbound freight after control over a system has transferred to a customer are accounted for as fulfillment costs and are included in cost of goods sold. Sales taxes and other usage-based taxes are excluded from revenue.

*Factory Protection Plan ("FPP"), Long Term Maintenance Agreements and Service Cost Reimbursement* In addition to the provision of standard warranties, the Company is replacing the FPP with Long Term Maintenance Agreements ("LTMA"), Similar to the FPP, the LTMA are intended to minimize product downtime and control maintenance costs to ensure the microturbine system will operate when needed and perform as intended at the lowest cost of ownership. Revenue related to the Company's performance obligation to provide replacement parts as needed is recognized over the term of the LTMA contract, intervals aligned to the monthly service period for that customer. LTMA contracts typically range from four years to twelve years and may be cancelled at any time. The related costs for LTMA contracts become the Company's obligation and are accrued at the time a customer submits a claim, and the claim's compliance with the terms of the plan are confirmed. The accrual reflects the Company's best estimate of the probable liability under the replacement part obligation based on actual experience. The LTMA contract offers flexible options for customers, as it can either begin while the system is still covered under the standard warranty or commence once the standard warranty period has expired. The LTMA includes an annual escalator, covers critical components only such as the engine, fuel and electronic components, and excludes freight cost. LTMA contracts do not include labor reimbursement.

Comprehensive FPP and LTMA service contracts require payment at the beginning of the contract period. Advance payments are not considered a significant financing component as they are typically received less than one year before the related performance obligations are satisfied. These payments are a contract liability and are classified as deferred revenue in the Condensed Consolidated Balance Sheets. The performance obligation is fulfilled as the control passes to the customer through the passage of time and recognition of deferred revenue from the FPP or LTMA contracts is recognized in the Condensed Consolidated Statement of Operations. The deferred revenue relating to the annual maintenance service contracts is recognized in the Condensed Consolidated Statement of Operations on a straight-line basis over the expected term of the contract.

The remaining FPP contracts may include labor reimbursement on the labor performed on a microturbine system. Due to the nature of the arrangement, labor reimbursements are accounted for under Accounting Standard Codification ("ASC") 460 and are recognized as contra revenue as consideration paid to a customer under ASC 606. An Authorized Service Provider ("ASP") must perform the labor. ASPs submit claims for labor reimbursements and are credited for the cost of labor if the repairs meet the Company's prescribed standards. The Company is unable to develop a reasonable estimate of the maximum potential payout under these arrangements because the FPP contracts do not contain a limit on the number of labor reimbursements that may be submitted. However, given historical practice, the Company has priced the FPP to cover all costs incurred related to the labor reimbursement and is not exposed to significant losses over the FPP premium.

The labor reimbursement is separate and distinct from the parts offering; therefore, the Company allocates a portion of the transaction price to the labor reimbursement based on a relative standalone selling price ("SSP"). The Company applies judgment in determining the SSP as the labor reimbursement is not sold separately. The Company will recognize a liability at the inception of the executed FPP agreement for the premium received in advance for the Labor offering. Income will be recognized on a net, straight-line basis with labor reimbursement costs recognized when incurred.

*Rentals* The Company accounts for leases to customers in accordance with lessor accounting under ASC 842. The Company utilizes a portfolio approach by grouping together many similar assets being leased to a single customer. Leases are classified as either sales-type leases or operating leases. The Company's leases are classified as a sale-type lease if one of the five criteria per the guidance are met. Other leases are classified as operating leases.

For sales-type leases, upon lease commencement, the Company records and presents as a separate line item in the Condensed Consolidated Balance Sheets, the present value of the lease payments as a lease receivable, along with the residual asset discounted using the rate implicit in the lease. Revenue is recognized on the Condensed Consolidated Statements of Operations in the amount of the lease receivable as part of Product and Accessories revenue and the cost of sales in the amount of the carrying value of the underlying asset less the unguaranteed residual asset. The Company believes this is generally more aligned to its current presentation of product sales. After the commencement date, the Company recognizes the imputed interest income as part of the net sales using the effective interest method.

For operating leases, the Company recognizes the underlying assets as rental lease assets. The asset is depreciated on a straight-line basis to its estimated residual value over the estimated useful life. The lease payments are recognized over the lease term on a straight-line basis as part of Rental Revenue.

**Contracts with Multiple Performance Obligations**

The Company enters into contracts with its customers that often include promises to transfer multiple products, parts, accessories and services. A performance obligation is a promise in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment.

Products, parts and accessories are distinct as such services are often sold separately. In determining whether FPP and LTMA service contracts are distinct, the Company considers the following factors for each services agreement: availability of the services from other vendors, the nature of the services, the timing of when the services contract was signed in comparison to the product delivery date and the contractual dependence of the product on the customer's satisfaction with the professional services work. To date, the Company has concluded that all of the service contracts included in contracts with multiple performance obligations are distinct.

The Company allocates the transaction price to each performance obligation on a SSP basis. The SSP is the price at which the Company would sell a promised product or service separately to a customer. Judgment is required to determine the SSP for each distinct performance obligation.

The Company determines SSP by considering its overall pricing objectives and market conditions. Significant pricing practices taken into consideration include the Company's discounting practices, the size and volume of the Company's transactions, the customer demographic, the geographic area where systems and services are sold, price lists, its go-to-market strategy, historical sales and contract prices. The determination of SSP is made through consultation with and approval by the Company's management, taking into consideration the go-to-market strategy. As the Company's go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes to SSP.

In certain cases, the Company may be able to establish SSP based on observable prices of products or services sold separately in comparable circumstances to similar customers. The Company uses a single amount to estimate SSP when it has observable prices.

If SSP is not directly observable, for example when pricing is highly variable, the Company may use a range of SSP. The Company determines the SSP range using information that may include market conditions or other observable inputs. The Company typically has more than one SSP for individual products and services due to the stratification of those products and services by customer size and geography.

The following table presents disaggregated revenue by business group (in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Microturbine Products | $ 12,512 | $ 7,873 | $ 43,872 | $ 24,021 |
| Accessories | 1,061 | 399 | 1,533 | 944 |
| Total Product and Accessories | 13,573 | 8,272 | 45,405 | 24,965 |
| | | | | |
| Parts and Services | 9,327 | 7,405 | 25,126 | 23,166 |
| Total ASC 606 Revenue | $ 22,900 | $ 15,677 | $ 70,531 | $ 48,131 |
| | | | | |
| Rentals | 3,862 | 4,471 | 12,487 | 10,382 |
| Total ASC 842 Revenue | 3,862 | 4,471 | 12,487 | 10,382 |
| Total Revenue | $ 26,762 | $ 20,148 | $ 83,018 | $ 58,513 |

The following table presents disaggregated revenue by geography based on the primary operating location of the Company's customers (in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| United States | $ 12,337 | $ 12,447 | $ 56,863 | $ 37,233 |
| Mexico | 7,287 | 800 | 9,861 | 2,418 |
| All other North America | 222 | 18 | 347 | 155 |
| Total North America | 19,846 | 13,265 | 67,071 | 39,806 |
| Europe | 2,764 | 3,271 | 8,644 | 8,222 |
| Asia | 1,093 | 1,027 | 2,423 | 1,923 |
| Australia | 299 | 367 | 1,194 | 2,284 |
| All other | 2,760 | 2,218 | 3,686 | 6,278 |
| Total Revenue | $ 26,762 | $ 20,148 | $ 83,018 | $ 58,513 |

**Contract Balances**

The Company's deferred revenues consist of deposits and advance payments for microturbine products, parts, accessories and parts ordered under sales contracts, which have not yet been delivered (contract liabilities), as well as advance payments on service obligations, FPP contracts and extended warranties. Deposits are primarily non-refundable cash payments from distributors for future orders. The current portion of deferred revenue and the non-current portion of deferred revenue are included in the Current Liabilities and Long-Term Liabilities, respectively, in the Condensed Consolidated Balance Sheets.

Changes in deferred revenue consisted of the following (in thousands):

| | Nine Months Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| Opening balance, beginning of the fiscal year | $ 13,949 | $ 11,858 |
| Closing balance, end of the period | $ 14,504 | $ 15,941 |
| Revenue recognized in the period from: | | |
| Amounts included in deferred revenue at the beginning of the period | $ 11,633 | $ 4,447 |

Deferred revenue attributed to FPP and LTMA contracts represents the unearned portion of the Company's contracts. FPP contracts are generally paid quarterly in advance, with revenue recognized on a straight-line basis over the contract period. As of December 31, 2025, approximately $4.9 million of revenue is expected to be recognized from the remaining contract liability for FPP contracts. The Company expects to recognize revenue on approximately $4.2 million of these unfulfilled performance obligations over the next 12 months and the balance of $0.7 million will be recognized thereafter.

**Unsatisfied Performance Obligations**

The Company has elected the practical expedient to disclose only the value of unsatisfied performance obligations for contracts with an original expected length greater than one year. The majority of the Company's product sales have relatively short periods of manufacture and result in fulfillment (lead times) of less than one year after manufacture and delivery and thus are excluded from this disclosure.

Our service contracts have periods of greater than one year in duration, however they are cancellable without any significant penalty, therefore the enforceable duration of these contracts is considered to be one year or less and thus under the practical expedients they are also excluded from this disclosure.

**Practical Expedients**

The Company applies the practical expedient for contracts of one year or less in duration for the direct and incremental costs to obtain a contract to expense such costs as incurred. Contracts are considered to be the individual sales orders received from the distributors and as per above, such orders are typically fulfilled in less than one year. These costs are recorded within sales and marketing expenses in the accompanying Condensed Consolidated Statements of Operations.

***Warranty*** The Company provides for the estimated costs of warranties at the time revenue is recognized under ASC 450. The specific terms and conditions of those warranties vary depending upon the microturbine product sold and the geography of sale. The Company's product warranties generally start from the delivery date and continue for up to twenty-four months. Factors that affect the Company's warranty obligation include product failure rates, anticipated hours of product operations and costs of repair or replacement in correcting product failures. These factors are estimates that may change based on new information that becomes available each period. Similarly, the Company also accrues the estimated costs to address reliability repairs on products no longer in warranty when, in the Company's judgment, and in accordance with a specific plan developed by the Company, it is prudent to provide such repairs. The Company assesses the adequacy of recorded warranty liabilities quarterly and adjusts the liability as necessary. When the Company has sufficient evidence that product changes are altering the historical failure occurrence rates, the impact of such changes is then taken into account in estimating future warranty liabilities.

***Research and Development ("R&D")*** The Company accounts for grant distributions and development funding as offsets to R&D expenses and both are recorded as the related costs are incurred in the Company's statement of operations. There were no offsets to R&D during Fiscal 2026 and 2025.

**11. Temporary Equity**

*Redeemable Preferred Units*

Redeemable noncontrolling interests are reported on the Condensed Consolidated Balance Sheet as Temporary Equity.

On December 7, 2023, in connection with the reorganization, the Operating Subsidiary issued 10,449,863 Series A Redeemable Preferred Units (the "Preferred Units") that include a redemption feature. The Preferred Units have an aggregate value representing 37.5% equity ownership in the Operating Subsidiary ("Aggregate Purchase Price"). At any time during the six-month period following December 7, 2029, the holders of the Preferred Units may elect to have all, but not less than all, of the then outstanding Preferred Units redeemed. Therefore, the Preferred Units are probable of becoming redeemable and are classified as temporary ('mezzanine') equity.

The Preferred Units also provide the holder with the option to convert all or less than all of the Preferred Units into Operating Subsidiary Common Units ("Common Units") at any time and from time to time without the payment of additional consideration. If the holder elects to convert the Preferred Units, the specified number of Preferred Units to be converted will be divided by the total number of Preferred Units then outstanding times 37.5% of the Common Units deemed outstanding. To the extent some, but not all of the Preferred Units are converted, the 37.5% percentage will be proportionately reduced, and the same adjustment will apply for purposes of calculating other as-converted entitlements of the Preferred Units. None of the Preferred Units had been converted into Common Units as of December 31, 2025.

Additionally, the Preferred Units provide the holder with a put option to sell the shares to the Operating Subsidiary and the liquidation preference provides the holder with the option to exchange the Preferred Units for cash.

Management's initial valuation of the Preferred Units was made under ASC Topic 480, Distinguishing Liabilities from Equity, and is specifically determined by the 'redemption value'. This initial value was established using a fair value methodology, to establish the initial redemption value per the terms of the Capstone Green Energy LLC Agreement. The initial fair value of $1.33 per Preferred Unit was determined through the use of an option-pricing method ("OPM") that treats the common and preferred units as call options on the enterprise value of the Company with exercise prices based on the liquidation preference of the preferred units. The OPM incorporated multiple thresholds that represent future change of control sale prices where the payout structure would differ based on the rights and preferences of each share class. The OPM used was the Black-Scholes Metron ("BSM") model to price the call option. The enterprise value utilized by the Company in the OPM represents the value agreed upon by the parties involved in our restructuring as approved by the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

Subsequent measurement under ASC Topic 480, Distinguishing Liabilities from Equity, for the redemption value follows the definition of redemption value as per the Capstone Green Energy LLC Agreement, which has been defined as the greater of 1) the share price of CGEH shares (if CGEH is publicly traded), with appropriate adjustments for customary and appropriate factors, or 2) the Aggregate Purchase Price plus declared but unpaid dividends, the 'maximum redemption value'. The subsequent measurement based on the redemption value method should not result in an amount that is less than the initial recorded value of $13.9 million.

For the three and nine months ended December 31, 2025, the Company's Common Stock is publicly trading and the Preferred Units are not currently redeemable. The Company will measure the maximum redemption value at the end of each accounting period, which is based on the Company's Common Stock value at period end. The closing value of CGEH stock was $5.04 and $0.75 as of December 31, 2025, and March 31, 2025, respectively.

At each reporting period, the Company remeasures the redemption value of the Preferred Units and adjusts the carrying value, if that value exceeds the initial fair value, to equal the maximum redemption value to retained earnings and additional-paid-in-capital. The initial fair value measurement was $13.9 million. Subsequent remeasurement of the Preferred Units to the maximum redemption value for this reporting period has exceeded the initial fair value. As of December 31, 2025, the Preferred Units have been adjusted to their maximum redemption value of $70.9 million.

**12. Private Investment in Public Equity ("PIPE") Financing**

**Overview**

On November 24, 2025, the Company entered into a Securities Purchase Agreement with certain accredited investors pursuant to which the Company agreed to issue and sell (i) 3,980,000 shares of its common stock at a purchase price of $2.00 per share and (ii) 3,520,000 pre-funded warrants to purchase shares of common stock at a purchase price per pre-funded warrant equal to the common stock purchase price minus $0.001. The pre-funded warrants have an exercise price of $0.001 per share. The transaction closed on November 25, 2025, and generated gross proceeds of approximately $15.0 million before deducting placement agent fees and other offering costs. At December 31, 2025, all of the 3,520,000 pre-funded warrants remained outstanding.

The Company paid the placement agent a cash fee of 7.0% of the gross proceeds received from investors that were not directors or executive officers of the Company and reimbursed up to $100,000 of legal and out-of-pocket expenses, resulting in total offering costs of approximately $1.2 million, which were recorded as a reduction of additional paid-in capital in accordance with ASC Topic 505, Accounting for Distributions to Shareholders with Components of Stock and Cash. Net proceeds from the offering were approximately $13.8 million. The Company used approximately $8.3 million of the net proceeds to repay outstanding indebtedness maturing December 7, 2025, and intends to use the remaining proceeds for working capital and general corporate purposes.

**Pre-Funded Warrants**

Each pre-funded warrant is exercisable at any time after the issuance date and until exercised in full, subject to certain beneficial ownership limitations that restrict the holder from exercising the warrant if such exercise would result in the holder beneficially owning more than 4.99% (or, at the holder's election, up to 9.99% after 61 days' notice) of the Company's outstanding common stock. The pre-funded warrants are exercisable into a fixed number of shares for a fixed exercise price and do not contain cash settlement features outside the Company's control. Accordingly, the pre-funded warrants were classified in equity in accordance with ASC Topic 480, Distinguishing Liabilities from Equity and ASC Topic 815 Derivatives and Hedging. The proceeds allocated to the pre-funded warrants were recorded in additional paid-in capital.

**Registration Rights**

In connection with the offering, the Company entered into a Registration Rights Agreement requiring it to file a resale registration statement covering the shares and the shares underlying the pre-funded warrants within 30 days after the signing date and to use commercially reasonable efforts to cause the registration statement to become effective within specified timeframes. The Registration Rights Agreement does not require cash penalties for failure to meet the filing or effectiveness deadlines; therefore, no liability was recorded in connection with these obligations. As of December 31, 2025, the registration statement has been filed.

**13. Net Income (Loss) Per Common Share**

The Company has common and non-voting common stock outstanding. The non-voting common stock has the same economic rights as the common stock; therefore, earnings per share is presented on a combined basis. Basic income (loss) available to stock holders is computed using the weighted-average number of common shares and non-voting common shares outstanding for the period. Diluted income (loss) per share is computed without consideration of potentially dilutive common stock equivalents such as stock options, restricted stock units and warrants if the Company produced a loss, as the effect would have been anti-dilutive. In addition, the change in the carrying value of the Preferred Units is excluded from the calculation of diluted earnings per share. For the three and nine months ended December 31, 2025 and 2024, there was no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss available to stockholders.

The Company did not have any outstanding stock options as of December 31, 2025. As of December 31 2025, the Company adjusted the carrying value of the Preferred Units as discussed in Note 11— Temporary Equity above.

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| **Numerator:** | | | | |
| Consolidated net income (loss) | $ 1,185 | $ (2,704) | $ 1,321 | $ (7,064) |
| Less: Accretion to redemption value of Preferred Units | (38,824) | — | (57,007) | — |
| Net loss available to holders of common stock and non-voting common stock | $ (37,639) | $ (2,704) | $ (55,686) | $ (7,064) |
| **Denominator:** | | | | |
| Weighted average shares outstanding of common stock and non-voting common stock | 21,051 | 19,049 | 19,945 | 19,049 |
| Net Income (loss) per share of common stock and non-voting common stock—basic and dilutive | $ (1.79) | $ (0.14) | $ (2.79) | $ (0.37) |

**14. Stock Compensation**

The following table summarizes, by Condensed Consolidated Statements of Operations line item, stock-based compensation expense (in thousands). The Company recognized $10 thousand of additional paid in capital related to stock compensation for Capstone Distributor Support Services Corporation ("CDSSC") employees and is not included in the Company's Condensed Consolidated Statement of Operations.

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Cost of goods sold | $ 6 | $ 1 | $ 44 | $ 2 |
| Research and development | 4 | 2 | 37 | 2 |
| Selling, general and administrative | 121 | 56 | 509 | 164 |
| Stock-based compensation expense | $ 131 | $ 59 | $ 590 | $ 168 |

*Restricted Stock Units and Performance Restricted Stock Units*

The following table summarizes restricted stock unit activity:

| Restricted Stock Units | Shares | Weighted Average Grant Date Fair Value per Share |
|---|---|---|
| Non-vested restricted stock units outstanding at April 1, 2025 | 726,823 | $ 0.96 |
| Granted | 950,845 | $ 1.33 |
| Vested and issued | (454,217) | $ 0.78 |
| Cancelled or forfeited | (91,807) | $ 0.88 |
| Non-vested restricted stock units outstanding at December 31, 2025 | 1,131,644 | $ 1.35 |

The following table summarizes performance restricted stock unit ("PRSU") activity:

| **Performance Restricted Stock Units** | **Shares** | | **Weighted Average Grant Date Fair Value** |
|---|---|---|---|
| Non-vested restricted stock units outstanding at April 1, 2025 | 53,533 | $ | 0.93 |
| Granted | 84,141 | | 0.73 |
| Vested and issued | — | | — |
| Forfeited/cancelled | (30,000) | | 0.83 |
| Non-vested restricted stock units outstanding at December 31 ,2025 | 107,674 | $ | 0.80 |

**15. Fair Value Measurements**

The FASB has established a framework for measuring fair value using GAAP. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1.* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

*Level 2.* Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3.* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

*Basis for Valuation*

The carrying values reported in the Condensed Consolidated Balance Sheets for cash, accounts receivable, accounts payable approximate their fair values because of the immediate or short-term maturities of these financial instruments. Financial and non-financial assets and liabilities measured on a recurring basis are those that are adjusted to fair value at each reporting period and include the Company's Preferred Units. The Company used the BSM model (Level 3) with standard valuation inputs to initially value the Preferred Units on December 7, 2023. Refer to Note 11— Temporary Equity.

**16. Employee Benefit Plans**

The Company maintains a defined contribution 401(k) profit-sharing plan in which all employees are eligible to participate. Employees may contribute up to Internal Revenue Service annual limits or, if less, 90% of their eligible compensation. Employees are fully vested in their contributions to the plan. The plan also provides for both Company matching and discretionary contributions, which are determined by the Board. The Company has been matching 50 cents on the dollar up to 6% of the employees' contributions since February 2019. Prior to that date, the Company had been matching 50 cents on the dollar up to 4% of the employees' contributions since October 2006. There were no Company contributions to the plan prior to October 2006. The Company's match vests 25% a year over four years starting from the employee's hire date. The Company recorded expense of approximately $0.1 million for the three months ended December 31, 2025 and 2024. The Company recorded expense of approximately $0.2 million for the nine months ended December 31, 2025 and 2024.

**17. Balance Sheet Information**

*Prepaid Expenses and Other Assets*

As of December 31, 2025, the Company had $2.1 million of royalty-related assets remaining recorded within the "Prepaid expenses and other current assets" line item on the accompanying Condensed Consolidated Balance Sheets. The assets are being amortized over a 15-year period through September 2033 using an effective royalty rate.

A 15-year amortization period is the minimum expected life cycle of the current generation of products. The effective royalty rate is calculated as the prepaid royalty settlement divided by total projected microturbine system units over the 15-year amortization period. On a quarterly basis, the Company performs a re-forecast of microturbine system unit shipments to determine if an adjustment to the effective royalty rate is necessary and accordingly whether an impairment exists. The Company determined an impairment did not exist as of December 31, 2025, or March 31, 2025.

The current and long-term portions of prepaid royalties and prepaid and other assets were as follows (in thousands):

| | December 31, 2025 | March 31, 2025 |
|---|---|---|
| Other royalty-related current assets | $ 150 | $ 124 |
| Other royalty-related noncurrent assets | 1,916 | 2,102 |
| Total royalty-related assets | $ 2,066 | $ 2,226 |
| Prepaid insurance current asset | 424 | 148 |
| Prepaid insurance noncurrent asset | 331 | 431 |
| Total prepaid insurance | $ 755 | $ 579 |
| Deposits current asset | 187 | 169 |
| Deposits noncurrent asset | 376 | 172 |
| Total deposits | $ 563 | $ 341 |
| Prepaid vendor inventory | 3,028 | 2,126 |
| Prepaid taxes | 876 | 698 |
| Other Assets | 549 | 388 |
| Total Prepaid expenses, other current assets and other assets | $ 7,837 | $ 6,358 |

**18. Commitments and Contingencies**

**Purchase Commitments**

As of December 31, 2025, the Company had firm commitments to purchase inventories of approximately $41.3 million through Fiscal 2027. Certain inventory delivery dates and related payments are not scheduled; therefore, amounts under these firm purchase commitments will be payable upon the receipt of the related inventory.

**Lease Commitments**

See Note 9— Leases.

**Related Party Transactions**

On December 7, 2023, Capstone Green Energy Corporation was reorganized and became a privately-held company ("Reorganized PrivateCo"). Reorganized PrivateCo continues to own assets consisting of (i) all of the Company's right, title, and interest in and to certain trademarks of the Company and (ii) assets owned by the Company relating to distributor support services ((i) and (ii) together, the "Retained Assets") and certain income tax attributes that remained with Reorganized PrivateCo.

*Services Agreement between Reorganized PrivateCo and Operating Subsidiary*

On December 7, 2023, Operating Subsidiary entered into a Services Agreement by and among Reorganized PrivateCo and Operating Subsidiary (the "Reorganized PrivateCo Services Agreement"). The Reorganized PrivateCo Services Agreement provides that, among other things, Operating Subsidiary will provide certain services to Reorganized PrivateCo, and Reorganized PrivateCo will provide the Operating Subsidiary's distributors on a subcontracted basis and, where applicable, to Operating Subsidiary, certain ongoing services and transition services related to Reorganized PrivateCo's distributor support services business. Reorganized PrivateCo will pay to Operating Subsidiary a service fee (the "Reorganized PrivateCo Services Fee") of an amount in cash equal to 90% of Reorganized PrivateCo's Income (as defined in the Reorganized PrivateCo Services Agreement) less itemized expenses incurred and actually paid in cash by Reorganized PrivateCo in direct support of Operating Subsidiary's distributors and in Reorganized PrivateCo's performance of the services (excluding the Reorganized PrivateCo Services Fees). The Company reported $0.2 million and $1.3 million of Distributor Support Services ("DSS") service fees in Other income, net, during the three and nine months ended December 31, 2025, respectively, and $0.4 million and $1.7 million for the three and nine months ended December 31 2024, respectively.

*Trademark License Agreement*

On December 7, 2023, the Company entered into a Trademark License Agreement (the "Trademark License Agreement") by and between Reorganized PrivateCo, as licensor, and the Company, as licensee. The Trademark License Agreement provides that, among other things, Reorganized PrivateCo grants the Company a non-exclusive, royalty-bearing, non-transferable, non-sublicensable (except to the Company's affiliates), worldwide, perpetual (subject to the terms and conditions of the Trademark License Agreement), irrevocable (subject to the terms and conditions of the Trademark License Agreement), limited license, under all of its right, title and interest in and to the Capstone Trademarks (as defined in the Trademark License Agreement) to use the Capstone Trademarks solely in connection with the Business (as defined in the Trademark License Agreement). In consideration for the license, the Company pays Reorganized PrivateCo an annual royalty of $100,000. Reorganized PrivateCo may not assign the Capstone Trademarks to any third party without the Company's consent, not to be unreasonably withheld, delayed or conditioned (subject to the terms and conditions of the Trademark License Agreement). If Reorganized PrivateCo does not use any of the Capstone Trademarks for six consecutive months, then the Capstone Trademarks will be assigned to the Company for no further consideration.

*Services Agreement between the Company and Operating Subsidiary*

On December 7, 2023, the Company entered into a Services Agreement (the "Services Agreement") by and among the Company and Operating Subsidiary. The Services Agreement provides, among other things, that the Company will provide certain services to Operating Subsidiary, in its capacity as a majority equity holder of Operating Subsidiary, and in consideration for the services provided by the Company, Operating Subsidiary will reimburse the Company for its reasonable audit, board and executive compensation expenses incurred in connection with being a publicly traded company (the "New Capstone Services Fee"). The New Capstone Services Fee will not exceed $2,500,000 per fiscal year (the "Services Fee Cap"), to be increased on April 1 of each year, beginning with April 1, 2024, by an amount equal to the greater of (a) 3.5000% and (b) the Consumer Price Index, as set by the U.S. Bureau of Labor Statistics and available on March 31 of each year; provided however, that for the Fiscal Year ending March 31, 2024, such amount was prorated based on the number of days in such fiscal year following the execution of the Reorganized PublicCo Services Agreement; provided, further, however, that such increase effective on April 1, 2025, was equal to 1.7500%.

*Service Agreement with CFGI*

On January 12, 2024, the Company entered into a services agreement with CFGI, pursuant to which CFGI provides third party accounting consultancy services to the Company. A related person who is the son of John Juric, our former Chief Financial Officer, is a staff employee at CFGI. We have been advised that, under the CFGI compensation policy, Mr. Juric's son was paid a commission related to the fees paid by the Company during the first year of the engagement. The Company incurred service fee expense of $0.2 million and $0.3 million for the three months ended December 31, 2025 and 2024, respectively, and $0.9 million for the nine months ended December 31, 2025 and 2024. There is no potential for bonus earnings in Fiscal 2026 and the contract was concluded December 5, 2025.

**Other Commitments**

The Company has agreements with certain of its distributors requiring that, if the Company renders parts obsolete in inventories the distributors own and hold in support of their obligations to serve fielded microturbines, then the Company is required to replace the affected stock at no cost to the distributors. While the Company has never incurred costs or obligations for these types of replacements, it is possible that future changes in the Company's product technology could result in and yield costs to the Company if significant amounts of inventory are held at distributors. As of December 31, 2025, no significant inventories of this nature were held at distributors.

**Legal Matters**

*Cal Microturbine Arbitration*

On March 13, 2024, Cal Microturbine, a current distributor of the Company, filed a complaint before the American Arbitration Association, seeking approximately $24.5 million in damages and alleging that the Company breached the Distributor Agreement between the parties and committed fraud by allowing another company, to sell, rent and service turbines in Cal Microturbine's exclusive territory. On August 18, 2024, Cal Microturbine amended its complaint and reduced its damages claim to $18.8 million. On September 9, 2024, the Company filed a counterclaim against Cal Microturbine for $20.0 million, alleging various violations of the Distributor Agreement. On September 27, 2024, Cal Microturbine provided the second amendment to its complaint and increased its damages to $25.0 million. In February 2025, Cal Microturbine filed an action in California state court seeking a temporary restraining order ("TRO") to preclude the Company from terminating the Distributor Agreement. Thereafter Cal Microturbine agreed to withdraw the arbitration and dismiss the California state court case with prejudice and without an award of any damages. Cal Microturbine filed a request to dismiss the California state case on August 19, 2025. The arbitration was closed on August 28, 2025.

*Spitzer v. Flexon, Jamison, Juric, Robinson, and Hencken*

On October 13, 2023, a putative securities class action was filed in the U.S. District Court for the Central District of California, captioned Spitzer v. Flexon, et al., Case No. 2:23-cv-08659, naming certain of the Company's current and former directors and officers as defendants. The suit alleges various claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 based on allegedly false and misleading statements and allegedly inadequate disclosure regarding the Company's business, operations and prospects and the circumstances leading up to the restatement of the Company's quarterly and annual financial statements. The suit is purportedly brought on behalf of persons and entities that purchased or otherwise acquired the Company's securities between June 14, 2021, and September 22, 2023, and seeks to recover unspecified compensatory damages and other relief, including attorney's fees. The Company is not a named respondent in this matter and has not engaged legal counsel.

The parties reached agreement on a settlement amount and on April 4, 2025, the parties filed an unopposed motion for the court to approve settlement and notice procedures. A preliminary hearing date was held on June 5, 2025, and the settlement was approved at a final settlement hearing held on November 24, 2025. The settlement became final on December 24, 2025 with no additional appeals filed. Expenses up to the $1.3 million insurance deductible amount have either been incurred or accrued.

*Mark Estrada and Ricardo Montalvo, vs. Capstone Green Energy LLC and Erick Kim*

In August 2024, two filings were made by lawyers on behalf of current and former non-exempt Capstone employees against Capstone and one supervisory employee. Both filings allege various pay violations. The first action, filed with the Superior Court of the State of California, requested that the Court certify the employees as a Class. Capstone has arbitration agreements in place with those current and former employees, agreements which include a class action waiver. Accordingly, Capstone moved that the Court compel arbitration, which Plaintiffs opposed. At a hearing in January 2025, the Court determined that the arbitration agreements were enforceable. Then in April 2025, the Court determined that the employees were not entitled to exemption from the enforcement of the arbitration agreements under the Federal Arbitration Act. The Court ordered the plaintiffs to arbitration. To date, the plaintiffs have not filed their claims in arbitration. The action is stayed until the plaintiffs file and complete arbitration.

Plaintiffs filed a separate action asserting the same claims under the Private Attorney General Act with the Superior Court of the State of California on September 22, 2025. The Company has been served with a copy of the complaint on October 13, 2025. The Company will seek to have this action stayed as well in accordance with the Court's April 2025 ruling compelling the Class action to arbitration. On November 3, 2025, the Plaintiff filed an arbitration action and the arbitration is expected to take place late 2026. The Company has not recorded a liability as of December 31, 2025, as a loss is neither probable nor estimable.

*DV Energy, LLC vs Capstone Green Energy Holdings, Inc, Capstone Turbine Corporation, Capstone Green Energy Corporation, and Capstone Green Energy, LLC.*

On August 26, 2024, DV Energy, LLC ("DV Energy"), a Capstone distributor in Russia, filed a lawsuit in the Superior Court of California, County of Los Angeles to recover a $0.7 million parts deposit, along with interest and legal fees. Among other things, DV Energy alleges breach of contract associated with a product order that Capstone was unable to deliver due to the imposition of U.S. sanctions following Russia's invasion of Ukraine. The Company disputes DV Energy's claim. DV Energy is also an unsecured creditor in the Chapter 11 proceedings of the Company's predecessors but opted to file the complaint in the state court as well. The Bankruptcy Court placed pre-conditions on closure of the Chapter 11 proceedings. In April 2025, the Company filed motions with the Bankruptcy Court to deposit funds with the Registry of the Court pending the outcome of the state court litigation and to close the Chapter 11 proceedings. At a hearing on June 5, 2025, the Bankruptcy Court granted the Company's motion to deposit funds with the Registry of the Court in the amount of $0.7 million as a security pending the outcome of the state court litigation. The Company has deposited the funds with the Bankruptcy Court, and the Court has issued its Final Decree and Order Closing Debtors' Chapter 11 proceedings and Terminating Services of Kroll Restructuring Administration LLC as Claims and Noticing Agent which amount other things, closed the Chapter 11 proceedings for the Debtors with immediate effect. There is no remaining deposit liability as of December 31, 2025.

**19. Segment Information**

The Company has a single reportable segment: microturbine systems and their related parts, rentals and services. The Company is one line of business that provides for the development, manufacture, sale and rental of turbine generator sets and their related parts and services to customers. The Company derives revenue primarily in North America and the Company's Chief Operating Decision Maker ("CODM") regularly reviews financial information presented on a consolidated basis for purposes of allocating resources and assessing performance. The Company defines its CODM as the Chief Executive Officer.

The CODM assesses performance for the single reportable segment under a GAAP basis of accounting, consistent with the basis of presentation in our financial statements and decides how to allocate resources based on consolidated net loss. This measure is used to monitor performance which is compared to prior periods and forecasted results to support operational efficiencies and business expansion. The CODM does not evaluate its reportable segment using asset or liability information. There are no intra-equity sales or transfers between the reporting units within the consolidated entity.

The following table presents the Company's information about reported segment revenue, segment gross profit, segment profit or loss and significant segment expenses that are regularly provided to the Company's CODM as a single reporting segment and a reconciliation of the Condensed Consolidated Statement of Operations (in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue, net: | $ 26,762 | $ 20,148 | $ 83,018 | $ 58,513 |
| Less: | | | | |
| Cost of revenue | 16,334 | 15,154 | 56,064 | 42,723 |
| Gross profit | 10,428 | 4,994 | 26,954 | 15,790 |
| Less: | | | | |
| Research and development | 971 | 744 | 2,594 | 1,882 |
| Selling, general & administrative expenses | 5,947 | 5,090 | 17,124 | 13,581 |
| Non-recurring professional expenses (1) | 1,462 | 1,223 | 4,001 | 5,915 |
| Other (income) expense items (2) | 863 | 641 | 1,914 | 1,476 |
| Consolidated net income (loss) | $ 1,185 | $ (2,704) | $ 1,321 | $ (7,064) |

(1) Non-recurring professional expenses include restructuring, financing, shareholder litigation, non-recurring legal, restatement, merger and acquisition activity, and SEC investigation.

(2) Other segment items included in segment (income) expense include other income (expense), interest expense, interest income and income tax expense.

**20. Business Combination**

On August 13, 2025, the Company entered into an Equity Purchase Agreement (the "Purchase Agreement") to acquire 100% of the equity interests of Cal Microturbine for total consideration of approximately $14.9 million, which was comprised of $6.0 million cash paid at closing, $3.4 million in deferred consideration, and the settlement of preexisting relationships of $5.5 million. The acquisition expands the Company's direct distribution and service capabilities in key markets and is expected to enhance operational efficiencies and customer reach. The transaction closed on August 13, 2025 ("Closing Date") and was funded using available cash on hand.

The table below summarizes the total consideration transferred at the Closing Date (in thousands):

| | As of the Closing Date |
|---|---|
| Cash paid at close | $ 5,951 |
| Deferred consideration (1) | 3,427 |
| Settlement of preexisting relationships (2) | 5,538 |
| **Total consideration** | $ 14,916 |

(1) The deferred consideration reflects cash payments of $4.0 million which will be distributed over 24 monthly installments starting in January 2026. These payments were discounted to their present value using an 11.45% discount rate.
(2) The settlement of preexisting balances related to accounts receivable and deferred revenue.

At the time of acquisition, Capstone and Cal Microturbine were engaged in ongoing litigation and arbitration related to their distributor agreement. As a result of the Purchase Agreement, these disputes were resolved, and mutual releases were executed. Neither company had recorded any contingent assets nor liabilities related to these matters as of the Closing Date. Refer to Note 18—Commitments and Contingencies Cal Microturbine Arbitration for further details.

The Company incurred acquisition and integration-related costs of $0.4 million and $1.3 million during the three and nine months ended December 31, 2025, which were recorded within "Selling, general and administrative" expenses on the Company's Consolidated Statement of Operations.

The Company accounted for this acquisition using the acquisition method of accounting for business combinations in accordance with ASC 805, Business Combinations ("ASC 805"), which requires, among other things, assets acquired and liabilities assumed to be recorded at their fair value on the acquisition date. Any excess of consideration to be transferred over the estimated fair value of assets acquired and liabilities assumed is recorded as goodwill.

Determining the fair values of the assets and liabilities of Cal Microturbine requires judgment and certain assumptions to be made, the most significant of these being related to the valuation of Cal Microturbine's customer relationships. Cal Microturbine's customer relationship assets were valued using the multi-period excess earnings method, with significant assumptions including projected revenue, attrition rate, operating expense, selling and general administrative expenses, and discount rate. Because the valuation relies on these company-specific forecasts and assumptions rather than observable market data, the fair value measurement for customer relationships is categorized as a Level 3 measurement in the ASC 820 fair value hierarchy.

As of the date of this filing, the Company performed the preliminary analysis to assign fair value to all tangible and intangible assets acquired and liabilities assumed. As such, the preliminary purchase price allocation will be subject to further refinement and may change. The Company expects to finalize the fair value measurements as soon as practicable, but no later than 12 months from the Closing Date. No goodwill has been recognized as its management estimate as of the date of this filing is that the fair value of the net assets and liabilities acquired approximate the purchase price. However, upon finalizing its purchase price allocation, goodwill may result.

The following table summarizes the amounts of assets acquired and liabilities assumed at the acquisition date, valued at their estimated acquisition date fair value (in thousands):

| | Acquisition Date Fair Value |
|---|---|
| **Assets acquired** | |
| Cash | $ 7,361 |
| Accounts receivable | 6,689 |
| Inventories | 760 |
| Lease receivable, current | 366 |
| Prepaid expenses and other current assets | 19 |
| Property, plant, equipment and rental assets | 52 |
| Finance lease right-of-use assets | 36 |
| Operating lease right-of-use assets | 12 |
| Intangible assets (1) | 3,884 |
| Goodwill | — |
| Total assets acquired | 19,179 |
| **Liabilities assumed** | |
| Accounts payable | 432 |
| Accrued expenses | 479 |
| Accrued salaries and wages | 655 |
| Deferred revenue, current | 2,649 |
| Finance lease liability, current | 17 |
| Operating lease liability, current | 7 |
| Finance lease liability, non-current | 19 |
| Operating lease liability, non-current | 5 |
| Total liabilities assumed | 4,263 |
| **Net assets acquired** | $ 14,916 |

(1) The intangible asset relates to customer relationships and was determined to have a weighted average amortization period of 6 years. Amortization from August 13, 2025 through December 31, 2025 is $0.2 million.

The post-closing operating results of Cal Microturbine have been included in our consolidated financial statements. For the period from the Closing Date through December 31, 2025, the Company's Consolidated Statements of Operations include Cal Microturbine revenue of $2.5 million and $3.2 million for the three and nine months ended December 31, 2025, respectively, and earnings of $0.9 million and $1.1 million for the three and nine months ended December 31, 2025, respectively.

*Pro Forma Financial Information (Unaudited)*

The following unaudited pro forma consolidated results of operations present the estimated unaudited pro forma combined results of Capstone and Cal Microturbine for the three and nine months ended December 31 2025 and 2024, as if the acquisition had occurred on April 1, 2024 and was prepared in accordance with ASC 805.

The supplemental pro forma financial information has been prepared using the acquisition method of accounting and is based on the historical financial information of Capstone and Cal Microturbine. The supplemental pro forma financial information does not necessarily represent what the combined companies' revenue or results of operations would have been had the Cal Microturbine acquisition been completed on April 1, 2024, nor is it intended to be a projection of future operating results of the combined company. It also does not reflect any operating efficiencies or potential cost savings that might be achieved from synergies of combining Capstone and Cal Microturbine.

Cal Microturbine's fiscal year-end is December 31, which differs from Capstone's year-end. To ensure comparability, the pro forma financial information was prepared using comparable reporting periods. Cal Microturbine's financial data was derived from internally generated, unaudited reports. Certain estimates were applied to allocate revenues and expenses appropriately across the periods presented in the pro forma results.

The unaudited supplemental pro forma financial information reflects pro forma adjustments related to transaction expenses incurred by Capstone and Cal Microturbine, elimination of revenue and expenses between the Capstone and Cal Micro, amortization expense due to step-up in fair value of the acquired assets, interest expense, and income tax adjustments (in thousands). The pro forma earnings below for the 2025 period were adjusted to exclude costs associated with the acquisition that were recognized in SG&A and pro forma earnings for the 2024 period were adjusted to include these charges.

| | Three months ended December 31, 2025 | Three months ended December 31, 2024 | Nine months ended December 31, 2025 | Nine months ended December 31, 2024 |
|---|---|---|---|---|
| Revenues, net | $ 26,762 | $ 22,616 | $ 88,929 | $ 62,125 |
| Net income (loss) | 1,459 | (2,566) | 6,174 | (8,990) |

**21. Subsequent Events**

The Company has evaluated all subsequent events through the filing date of this Form 10-Q with the SEC, to ensure that this filing includes appropriate disclosure of events both recognized in the financial statements as of December 31, 2025, and events which occurred subsequently but were not recognized in the financial statements. There were no subsequent events, other than what has been described above, which required recognition, adjustment to or disclosure in the financial statements.

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

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements and notes thereto included in this Form 10-Q and the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for our fiscal year ended March 31, 2025 ("Fiscal 2025"). All dollar amounts in this Management's Discussion and Analysis of Financial Condition and Results of Operations are approximate.*

*All references in this Quarterly Report on Form 10-Q to "the Company," "we," "us," "our," or "Capstone" are to Capstone Green Energy Holdings, Inc. and its consolidated subsidiaries as of December 31, 2025, and March 31, 2025, and for the three and nine months ended December 31, 2025 and 2024.*

**Special Note Regarding Forward-Looking Statements**

This Form 10-Q contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933, as amended, (the "Securities Act") and the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). All statements other than statements of historical facts are statements that could be deemed to be forward-looking statements. These include statements that are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "continues," "endeavors," "strives," "potential," "predict," "may," "will," "might," "could," "intend" "assumes" and variations of such words and similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements.

Our actual results may differ materially from those expressed in, or implied by, the forward-looking statements included in this Form 10-Q as a result of various factors, including, among others:

- the significant risks related to our substantial indebtedness and our long-term liquidity requirements following our emergence from Chapter 11 and reorganization;
- risks related to our history of net losses and ability to raise additional capital and fund future operating requirements;
- our ability to continue as a going concern and the upcoming maturity of the Exit New Money Notes (as defined in Note 8 – Debt) on December 7, 2025;
- our ability to remediate the material weaknesses in internal control over financial reporting disclosed in our Annual Report on Form 10-K for Fiscal 2025;
- the limited public trading market for our common stock on the OTC market;
- our ability to retain key personnel;
- the restrictions imposed by the covenants contained in the Note Purchase Agreement (as defined in Note 8— Debt) and the Operating Subsidiary LLC Agreement (as defined in Note 17— Commitments and Contingencies) and our ability to comply with the financial covenants contained in the Note Purchase Agreement;
- the uncertainty associated with the imposition of tariffs and trade barriers and changes in trade policies;
- uncertainties associated with investments into efforts to capture market share in the emerging data center artificial intelligence ("AI") market for microturbines;
- our ability to realize the anticipated benefits of the recently completed Cal Microturbine acquisition;
- the impact of pending or threatened litigation;
- the development of the market for and customer uses of our microturbines, including our Energy-as-a-Service solutions;
- our ability to develop new products and enhance existing products;
- our ability to produce products on a timely basis in a high-quality manner;
- the availability of sources for and costs of component parts;
- our ability to obtain direct material products on a timely and cost-effective basis;
- competition in the markets in which we operate;
- operational interruption by fire, earthquake and other events beyond our control;
- federal, state and local regulations of our markets and products;
- the financial performance of the oil and natural gas industry and other general business, industry and economic conditions applicable to us;

- the geopolitical environment, including the ongoing conflict in Ukraine;
- corruption risks in the markets where our products are sold;
- security and cybersecurity risks related to our electronic processing of sensitive and confidential business and product data;
- our ability to adequately develop and protect our intellectual property rights; and
- other risks and uncertainties discussed in "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for Fiscal 2025.

Furthermore, new risks may emerge in the future and it is not possible for us to predict all risks, nor can we assess the impact of all factors on the business or the extent to which any factor, or combination of factors, may cause actual results, performance or achievement to differ materially from those contained in any forward-looking statements. Forward-looking statements speak only as of the date of this Form 10-Q. Except as expressly required under federal securities laws and the rules and regulations of the Securities and Exchange Commission (the "SEC"), we do not have any obligation, and do not undertake, to update any forward-looking statements to reflect events or circumstances arising after the date of this Form 10-Q, whether as a result of new information or future events or otherwise. Readers should not place undue reliance on the forward-looking statements included in this Form 10-Q or that may be made elsewhere from time to time by us, or on our behalf. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

**Overview**

Capstone Green Energy Holdings, Inc., the public successor to Capstone Green Energy Corporation together with its consolidated operating subsidiary, Capstone Green Energy LLC (the "Operating Subsidiary"), provides customized microgrid solutions, on-site resilient Energy-as-a-Service ("EaaS") solutions, and distributed on-site energy technology systems. We deliver behind-the-meter microturbine energy solutions for industrial and commercial customers, including data centers, station power, and port applications, as well as other critical power uses, designed to address the "Energy Trilemma" of resiliency, sustainability, and affordability.

Our offerings include stationary distributed power generation systems and distribution networks, including cogeneration applications such as combined heat and power ("CHP"), integrated combined heat and power ("ICHP"), and combined cooling, heat and power ("CCHP"), as well as solutions for renewable energy, natural resources, and critical power supply applications, including data centers, station power, and ports.

We remain a market leader in microturbine energy systems based on the number of microturbines sold annually and our total installed base. While power purchased from the electric utility grid is generally less costly than power produced by distributed generation technologies operating in simple-cycle mode, utilities may also impose interconnection costs and other fees. When waste heat recovery is incorporated through CHP or CCHP configurations, the overall economic benefits of microturbine systems improve significantly. In addition, our microturbines provide highly efficient, low-emission, and resilient power generation, producing thermal energy with a lower carbon footprint. These benefits may be enhanced when fuel costs are favorable, when grid interconnection is costly or impractical, such as in remote locations or where new grid services are required, where reliability and power quality are critical, including data center, station power, and port operations, or in situations where peak shaving may be economically advantageous due to highly variable electricity prices.

Our microturbines are inverter-based technologies that can be integrated with other distributed energy resources to form microgrids, also referred to as distribution networks, within a defined geographic area, providing power to one or more facilities. Because microturbines are capable of operating on multiple fuel sources and delivering reliable on-site power, we believe they support customer objectives related to resiliency, sustainability, and affordability across data center, station power, and port applications. We also believe our products and services provide greater operational flexibility compared to certain alternative technologies, such as reciprocating engines. We continue to evaluate energy conversion technologies at the lower end of the distributed power spectrum.

We serve customers across energy efficiency, natural resources, renewable energy, critical power, microgrid power, data centers, station power, and port applications. The microgrid market is driven by electrification demand and the need for resilient, on-site power solutions. The renewable energy market is fueled by landfill gas, biodiesel and biogas from sources such as food processing, agricultural waste and livestock manure. Product sales in the oil and gas and other natural resources markets are driven by our microturbines' reliability, emissions profile and ease of installation. Data center, station power, and port customers require highly reliable, low-emission, and scalable power solutions to support continuous operations, grid constraints, and critical infrastructure requirements.

Given the continued volatility of the oil and gas market, our business strategy is to continue diversification across the microgrid energy efficiency, critical power, including data centers, station power, and ports, and renewable energy markets.

As part of our diversification strategy, we have begun to utilize our microgrid solutions in a reference design package for AI and Data Center infrastructure. On October 21, 2025, we released a press release announcing that we have developed a new 800-volt direct-current ("VDC") microturbine to support NVIDIA's new AI Infrastructure requirements. We plan to provide power and cooling solutions as an engineered "behind-the-meter" equipment package for the next generation of AI factories. This initiative is in the early stages of commercialization, and there can be no assurance regarding market adoption, customer demand, or revenue generation. Refer to Risk Factors (Part II, Item 1A of this Form 10-Q) for further discussion of the risks and uncertainties associated with this emerging market opportunity.

We continue to focus on product development informed by customer requirements, increasing brand awareness, and expanding distribution channels through a diversified network of strategic partners. We prioritize products and solutions designed to support repeatable revenue opportunities and larger transaction sizes, rather than discrete projects for niche markets. We also closely monitor operating expenses and seek to improve manufacturing efficiency, reduce direct material costs, and increase average selling prices. Key factors that we believe influence operating performance include average selling prices, direct material costs, order flow, cash utilization, and growth in the EaaS business.

We believe that effective execution in each of these key areas will be necessary to leverage our promising technology and early market leadership into achieving positive cash flow with growing market presence and improving financial performance.

We currently occupy warehouse and office space in Costa Mesa, California and office space and a production facility in Van Nuys, California with a production capacity of approximately 2,000 units per year, depending on product mix.

During the three months ended December 31, 2025, we had a net income of $1.2 million, accretion to redemption value of Preferred Units of $38.82 million, basic and diluted net loss per share of $1.79, compared to net loss of $2.7 million, no change in Preferred Units and basic and diluted net loss per share of $0.14 during the three months ended December 31, 2024. The $3.9 million change in net income was primarily due to improved gross profit of $5.4 million, driven by the impacts of price increases and lower unit costs, offset by $1.3 million of higher total operating expenses, a $0.2 million decrease in other income and a $0.2 million increase in interest expense as compared to the three months ended December 31, 2024.

**Backlog**

Net product orders were approximately $9.3 million and $24.1 million for the three months ended December 31, 2025 and 2024, respectively. Ending backlog was approximately $11.6 million at December 31, 2025, compared to $26.8 million at December 31, 2024. The book-to-bill ratio was 0.7:1 and 3.1:1 for the three months ended December 31, 2025 and 2024, respectively. Book-to-bill ratio is the ratio of new orders we received to units shipped and billed during a period. The decrease in our book-to-bill ratio is due to a reductions in new orders, including the cancellation of pre-acquisition Cal Microturbine orders.

The timing of the backlog is based on the requirement date indicated by our customers and part availability. However, based on historical experience, management expects that a portion of our backlog may not be shipped within the next 12 months. Additionally, the timing of shipments is subject to change based on several variables (including customer deposits, payments, availability of credit and customer delivery schedule changes), most of which are not within our control and can affect the timing of our revenue. As a result, management believes the book-to-bill ratio reflects the current demand for our products in the given period.

**Critical Accounting Estimates**

Our discussion and analysis of our financial condition and results of operations is based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these Condensed Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, and expenses and related disclosures of contingent liabilities. On an ongoing basis, we evaluate our estimates, including but not limited to those related to credit losses, inventories, warranty obligations, redeemable noncontrolling interest valuation and stock-based compensation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The results of these estimates and assumptions which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We consider an accounting estimate to be critical if: (1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

Item 7 of our Annual Report on Form 10-K for the fiscal year ended March 31, 2025 describes the significant accounting estimates used in the preparation of our Condensed Consolidated Financial Statements.

**Results of Operations**

***Three Months Ended December 31, 2025 and 2024***

***Revenue*** The following table summarizes our revenue by geographic markets (in millions):

| | Three Months Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| United States and Canada | $ 12.5 | $ 12.4 |
| Europe | 2.8 | 3.3 |
| Latin America | 10.0 | 2.9 |
| Asia and Australia | 1.4 | 1.4 |
| Middle East and Africa | 0.1 | 0.1 |
| Total Revenue | $ 26.8 | $ 20.1 |

Revenue for the three months ended December 31, 2025 increased $6.7 million to $26.8 million from $20.1 million for the three months ended December 31, 2024. The increase was primarily driven by increases in revenue of $0.1 million in the United States and Canada and $7.1 million in Latin America, offset by a decrease in revenue of $0.5 million in Europe. The increases in the United States and Canada and Latin America were due to increased microturbine product and parts demand which includes product sales to our international distributor Supernova. The decrease in Europe is primarily due to decreases in microturbine deliveries for projects in those regions during the three months ended December 31, 2025.

The following table summarizes our revenue by category (only revenue amount in millions):

| | Three Months Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2025 | | | 2024 | | |
| | Revenue | Megawatts | Units | Revenue | Megawatts | Units |
| Microturbine Product | $ 12.5 | 9.5 | 35 | $ 7.9 | 6.5 | 28 |
| Accessories | 1.1 | | | 0.4 | | |
| Total Product and Accessories | 13.6 | | | 8.3 | | |
| | | | | | | |
| Parts and services | 9.3 | | | 7.4 | | |
| Rentals | 3.9 | | | 4.4 | | |
| Total Revenue | $ 26.8 | | | $ 20.1 | | |

For the three months ended December 31, 2025, revenue from microturbine products and accessories increased $5.3 million, or 64%, to $13.6 million from $8.3 million for the three months ended December 31, 2024. The $5.3 million increase was driven primarily by an increase in product demand, with the 3.0 megawatts increase in shipments during the three months ended December 31, 2025, including increased demand for our C1000 turbines, compared to the three months ended December 31, 2024. Average revenue per megawatt shipped was approximately $1.3 million and $1.2 million during the three months ended December 31, 2025 and 2024, respectively. The decrease in revenue per megawatt is mainly due to product mix of microturbine configurations.

Parts and service revenue, which are part of our EaaS business line and includes revenue from our spare parts shipments, FPP contracts, and other service revenue of $9.3 million for the three months ended December 31, 2025, was improved from $7.4 million for the three months ended December 31, 2024.

Rentals revenue for three months ended December 31, 2025 decreased $0.5 million or (11)%, to $3.9 million from $4.4 million for the three months ended December 31, 2024. This decrease was driven by a decrease in rental utilization.

Sales to DTC Soluciones ("DTC"), one our distributors, accounted for 27% of revenue for the three months ended December 31, 2025. Sales to E-Finity Distributed Generation ("E-Finity"), Lone Star Power Solutions, LLC ("Lone Star") and Cal Microturbine, LLC ("Cal Microturbine"), three our distributors, accounted for 15%, 14% and 11% of revenue for the three months ended December 31, 2024, respectively.

***Gross Profit*** Gross profit was $10.4 million, or 39% of revenue for the three months ended December 31, 2025, compared to a gross profit of $5.0 million, or 25% of revenue for the three months ended December 31, 2024. The increase was primarily the result of an increase in product sales volume, higher parts and service revenue and the full effect of an increase in pricing and decreases in production costs and service center labor and overhead expenses. Effective July 2024, we increased our sales prices and we are continually negotiating to reduce material costs with vendors.

The following table summarizes our gross profit (in millions except percentages):

| | Three Months Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| **Gross Profit** | | |
| Product and accessories | $ 0.9 | $ (0.8) |
| As a percentage of product and accessories revenue | 7 % | (10)% |
| | | |
| Parts and services | $ 8.2 | $ 3.5 |
| As a percentage of parts and services revenue | 88 % | 47 % |
| | | |
| Rentals | $ 1.3 | $ 2.3 |
| As a percentage of rentals revenue | 33 % | 51 % |
| | | |
| Total gross profit | $ 10.4 | $ 5.0 |
| As a percentage of total revenue | 39 % | 25 % |

The increase of $1.7 million in product and accessories gross profit was primarily due to higher product pricing, improved cost efficiencies, high volume and product mix.

Product and accessories gross margin as a percentage of product and accessories revenue improved to 7% during the three months ended December 31, 2025, from a negative gross margin of 10% during the three months ended December 31, 2024, primarily due to higher product volume and cost reduction programs. Parts and services gross margin as a percentage of parts and service revenue increased to 88% during the three months ended December 31, 2025, compared to 47% during the three months ended December 31, 2024, primarily as a result of fewer FPP claims and FPP claims cancellations during the three months ended December 31, 2025. Rentals gross margin as a percentage of rental revenue decreased to 33% for the three months ended December 31, 2025, compared to 51% for the three months ended December 31, 2024, primarily due to lower rental utilization.

***Research and Development ("R&D") Expenses*** R&D expenses were $1.0 million and $0.7 million during the three months ended December 31, 2025 and 2024, respectively, and were 4% of revenue for the three months ended December 31, 2025, and 2024. During the three months ended December 31, 2025, there were additional R&D programs for new product development and product enhancements.

***Selling, General, and Administrative ("SG&A") Expenses*** SG&A expenses were $7.4 million and $6.3 million during the three months ended December 31, 2025 and 2024, respectively, and were 28% and 31% of revenue for the three months ended December 31, 2025, and 2024, respectively. Compared to the prior year, we have higher financing expenses and Cal Microturbine acquisition expenses, partially offset by lower restructuring, restatement, SEC investigation and extraordinary legal expenses and a lower Executive AIP bonus expense during the three months ended December 31, 2025, compared to the three months ended December 31, 2024.

***Other Income*** Other income was $0.2 million and $0.4 million during the three months ended December 31, 2025 and 2024 and is primarily due to service fees earned related to the DSS.

***Interest Income.*** Interest income was $0.1 million and less than $0.1 million during the three months ended December 31, 2025 and 2024, respectively. Interest income is mainly derived from our money market investment and interest on our sale-type leases.

***Interest Expense*** Interest expense was $1.1 million and $1.0 million for the three months ended December 31, 2025 and 2024, respectively. Interest expense is mainly derived from our notes payable.

***Nine Months Ended December 31 2025 and 2024***

***Revenue*** The following table summarizes our revenue by geographic markets (in millions):

| | Nine Months Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| United States and Canada | $ 57.2 | $ 37.4 |
| Europe | 8.7 | 8.2 |
| Latin America | 13.3 | 8.1 |
| Asia and Australia | 3.6 | 4.2 |
| Middle East and Africa | 0.2 | 0.6 |
| Total Revenue | $ 83.0 | $ 58.5 |

Revenue for the nine months ended December 31, 2025 increased $24.5 million to $83.0 million from $58.5 million for the nine months ended December 31, 2024. The increase was primarily driven by increases in revenue of $19.8 million in the United States and Canada, $0.5 million in Europe and $5.2 million in Latin America, offset by a decrease in revenue of $0.6 million in Asia and Australia and $0.4 million in Middle East and Africa. The increases in the United States, Europe and Latin America were due to increased microturbine product, parts and rental demand. The decrease in Asia and Australia and the Middle East and Africa were primarily due to decreases in microturbine deliveries for projects in those regions during the nine months ended December 31, 2025.

The following table summarizes our revenue by category (in millions):

| | Nine Months Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2025 | | | 2024 | | |
| | Revenue | Megawatts | Units | Revenue | Megawatts | Units |
| Microturbine Product | $ 43.9 | 29.1 | 94 | $ 24.0 | 17.3 | 76 |
| Accessories | 1.5 | | | 1.0 | | |
| Total Product and Accessories | 45.4 | | | 25.0 | | |
| | | | | | | |
| Parts and Services | 25.1 | | | 23.1 | | |
| Rentals | 12.5 | | | 10.4 | | |
| Total Revenue | $ 83.0 | | | $ 58.5 | | |

For the nine months ended December 31, 2025, revenue from microturbine products and accessories increased $20.4 million, or 82%, to $45.4 million from $25.0 million for the nine months ended December 31, 2024. The $20.4 million increase was driven primarily by an 11.8 megawatt increase in shipments during the nine months ended December 31, 2025, including increased demand for our C1000 turbines, compared to the nine months ended December 31, 2024. Average revenue per megawatt shipped was approximately $1.5 million and $1.4 million during the nine months ended December 31, 2025 and 2024, respectively, and is mainly due to price increase and product mix.

Parts and service revenue, which are part of our EaaS business line and includes revenue from our spare parts shipments, FPP contracts, and other service revenue was $25.1 million for the nine months ended December 31, 2025, compared to $23.1 million for the nine months ended December 31, 2024 and is mainly due to higher volume of parts shipped.

Rentals revenue for nine months ended December 31, 2025 increased $2.1 million or 20%, to $12.5 million from $10.4 million for the nine months ended December 31, 2024. This increase was driven by increased rental utilization and increased rental prices.

Sales to Cal Microturbine, E-Finity, DTC and Lone Star, four distributors, accounted for 20%, 17%, 12% and 10% of revenue for the nine months ended December 31, 2025, respectively. On August 13, 2025, we completed our acquisition of Cal Microturbine. E-Finity and Lone Star accounted for 16% and 13% of revenue for the nine months ended December 31, 2024, respectively.

***Gross Profit*** Gross profit was $27 million, or 33% of revenue for the nine months ended December 31, 2025, compared to a gross profit of $15.8 million, or 27% of revenue for the nine months ended December 31, 2024. The increase was primarily the result of an increase in product sales volume and the full effect of an increase in pricing coupled with cost reduction programs, partially offset by increases in production and service center labor and overhead expenses. Effective July 2024, we increased our sales prices and we are continually negotiating to reduce material costs with vendors.

The following table summarizes our gross profit (in millions except percentages):

| | Nine Months Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| **Gross Profit** | | |
| Product and accessories | $ 4.0 | $ (0.6) |
| As a percentage of product and accessories revenue | 9 % | (2)% |
| | | |
| Parts and services | $ 17.0 | $ 13.0 |
| As a percentage of parts and services revenue | 68 % | 56 % |
| | | |
| Rentals | $ 6.0 | $ 3.4 |
| As a percentage of rentals revenue | 48 % | 33 % |
| | | |
| Total gross profit | $ 27.0 | $ 15.8 |
| As a percentage of total revenue | 33 % | 27 % |

The increase of $4.6 million in product and accessories gross profit was primarily due to higher product pricing, improved cost efficiencies, higher volume and product mix.

Product and accessories gross margin as a percentage of product and accessories revenue increased to 9% during the nine months ended December 31, 2025, from a negative 2% during the nine months ended December 31, 2024, primarily due to higher product volume and cost reduction programs. Parts and services gross margin as a percentage of parts and service revenue increased to 68% during the nine months ended December 31, 2025, compared to 56% during the nine months ended December 31, 2024, primarily as a result of higher product pricing, improved cost efficiencies, fewer FPP claims, FPP claims cancellations, higher demand and product mix during the nine months ended December 31, 2025. Rentals gross margin as a percentage of rental revenue increased to 48% for the nine months ended December 31, 2025, compared to 33% for the nine months ended December 31, 2024, primarily due to increased rental pricing and utilization.

***Research and Development ("R&D") Expenses*** R&D expenses were $2.6 million and $1.9 million during the nine months ended December 31, 2025 and 2024, respectively, and remained at 3% of revenue for the nine months ended December 31, 2025 and 2024. During the nine months ended December 31, 2025, there were additional R&D programs for new product development and product enhancements.

***Selling, General, and Administrative ("SG&A") Expenses*** SG&A expenses were $21.1 million and $19.5 million during the nine months ended December 31, 2025 and 2024, respectively, and was 25% and 33% of revenue for the nine months ended December 31, 2025 and 2024, respectively. Compared to the prior year, we have lower restructuring, restatement and SEC investigation expense and extraordinary legal expense, partially offset by higher financing and Cal Microturbine acquisition expense. Additionally, we accrued a higher Executive AIP bonus expense during the nine months ended December 31, 2025, compared to the nine months ended December 31, 2024.

***Other Income*** Other income was $1.2 million and $1.6 million during the nine months ended December 31, 2025 and 2024 and is mainly due to service fee earned related to the DSS.

***Interest Expense*** Interest expense was $3.3 million and $3.0 million for the nine months ended December 31, 2025 and 2024, respectively. Interest expense is mainly derived from our notes payable.

**Liquidity and Capital Resources**

**Cash Flows**

Our cash requirements depend on many factors, including the execution of our business strategy and plan. Our cash and cash equivalents balance increased $6.5 million during the nine months ended December 31, 2025, compared to an increase in cash of $1.2 million during the nine months ended December 31, 2024. The increase in cash during the nine months ended December 31, 2025 was primarily due to the proceeds from the PIPE financing, net of the repayment of the Exit New Money Notes in December 2025.

***Operating Activities*** During the nine months ended December 31, 2025, net cash provided operating activities was $2.0 million, consisting of a net income for the period of $1.3 million, changes in operating assets and liabilities of $7.9 million offset by non-cash adjustments, primarily representing depreciation and amortization, non-cash lease expense, stock based compensation, paid-in-kind interest expense, provision for credit losses and inventory write-down totaling $8.6 million.

For the nine months ended December 31, 2024, net cash provided by operating activities was $2.2 million, consisting of net loss of $7.1 million, offset by changes in operating assets and liabilities of $0.7 million and non-cash adjustments, primarily representing depreciation and amortization, non-cash lease expense and paid-in-kind interest expense, totaling $10.0 million.

The following is a summary of the significant sources (uses) of cash from operating activities (in millions):

| | Nine Months Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| Net income (loss) | $ 1.3 | $ (7.1) |
| Non-cash operating activities(1) | 8.6 | 10.0 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (6.7) | (6.1) |
| Inventories | (0.9) | 4.3 |
| Lease receivable | 0.4 | — |
| Accounts payable | 4.9 | (0.6) |
| Accrued expenses | 1.2 | (0.1) |
| Operating lease liability, net | (2.3) | (3.0) |
| Prepaid expenses, other current assets and other assets | (1.5) | 1.9 |
| Factory protection plan liability | (1.3) | (1.0) |
| Other changes in operating assets and liabilities | (1.7) | 3.9 |
| Net cash provided by operating activities | $ 2.0 | $ 2.2 |

(1) Represents changes in depreciation and amortization, non-cash lease expenses, PIK interest, stock-based compensation expense, and inventory, warranty and credit loss provisions.

The $5.2 million decrease in cash provided by inventory was to support higher sales of products, accessories and parts. The $5.5 million increase in cash provided by accounts payable resulted from the timing of payment of trade accounts. The $1.3 million increase in cash provided by accrued expenses was primarily due to higher accruals of vendors invoices in the nine months ended December 31, 2024. The $0.7 million decrease in use of cash by operating lease liability was primarily due to a decrease in lease liability. The $3.4 million decrease in cash provided from prepaid and other assets is primarily the result of higher prepaid inventory. The $0.3 million increase in cash used by FPP liability was primary driven by claim cancellations. The $5.6 million increase in cash used in other operating assets and liabilities, was primarily driven by an increase in cash used in deferred revenue of $4.6 million primarily driven by increased shipments in the nine months ended December 31, 2025 compared to the nine months ended December 31, 2024, lowering related customer deposits.

***Investing Activities*** Net cash provided in investing activities was $0.6 million during the nine months ended December 31, 2025 and was primarily due to cash acquired in acquisitions net of cash paid, partially offset by investment in our rental fleet. Net cash used in investing activities was $0.8 million during the nine months ended December 31, 2024, and was primarily due to investments in operating and rental fleet assets.

***Financing Activities*** Net cash provided in financing activities of $3.9 million and used $0.2 million during the nine months ended December 31, 2025 and 2024, respectively. Cash provided from financing activities during the nine months ended December 31, 2025 was driven by net proceeds from the PIPE of $13.6 million, partially offset by the repayment of our Exit New Money Notes of $8.3 million and finance lease obligations of $1.2 million. The nine months ended December 31, 2024 reflect the repayment of finance lease obligations of $0.2 million.

***Debt*** Refer to Note 8— Debt in the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for information related to our notes.

***Lease Commitments*** Refer to Note 9— Leases in the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for information related to our leases.

**Going Concern** In connection with the preparation of the Condensed Consolidated Financial Statements for the nine months ended December 31, 2025, management evaluated whether there were conditions and events, considered in the aggregate, that raised substantial doubt about our ability to meet our obligations as they become due over the next twelve months from the date of the issuance of the financial statements. As of December 31, 2025, we had cash of $15.2 million, which includes restricted cash of $0.7 million, and a working capital deficit of $22.9 million. We had net income of $1.2 million and $1.3 million during the three and nine months ended December 31, 2025, respectively.

We have developed a plan to improve future financial performance. The plan includes multiple process improvement workstreams intended to drive operational and financial performance. The process improvement initiatives are supported with external resources as needed for a specific level of expertise. The plan includes cost reduction in products, services and operating expenses, margin expansion through price increases, and sales volume initiatives focused on improving our liquidity. Achieving the targeted product cost reductions has risk, and is being challenged by the current geopolitical environment, including the impact of tariffs. There is no guarantee that such steps will be successful, or to result in our ability to meet our payment obligations coming due within the twelve-month period after the date of this report.

We and our advisors are considering various alternatives to address the upcoming maturity of the Exit Roll Up Notes, which may include issuances of equity or the incurrence of additional indebtedness; however, there can be no assurance that we will be successful in refinancing the Exit Roll Up Notes.

Given our current cash position, short term debt repayments, limits to accessing capital and debt funding options and current economic and market risks, there exists substantial doubt regarding our ability to continue as a going concern and its ability to meet its financial obligations as they become due over the next twelve months from the date of issuance of the financial statements as of, and for the period ended December 31, 2025.

**New Accounting Pronouncements** Refer to Note 3— Recently Issued Accounting Pronouncements in the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for information regarding new accounting standards.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a "smaller reporting company," as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item.

## Item 4. Controls and Procedures

*Disclosure Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure the information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

In connection with the preparation of this Form 10-Q for the three and nine months ended December 31, 2025, an evaluation was performed under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in and pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our CEO and CFO have concluded that, as of December 31, 2025, due to the material weaknesses in our internal control over financial reporting described below, our disclosure controls and procedures were not effective.

Notwithstanding the identified material weakness, management believes the consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our consolidated financial position and consolidated results from operations and cash flows for the quarter ended December 31, 2025, and our financial condition as of each such date and have been prepared in conformity with GAAP.

*Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our CEO and CFO and effected by our Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of March 31, 2025 because of the material weakness described below.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual and interim financial statements will not be detected or prevented on a timely basis. The following material weakness was identified:

- We did not design and maintain effective controls over financial reporting related to the proper accounting, presentation and disclosure for FPP service contracts, including controls relating to the relevant information technology systems used in this process.

*Management's Remediation Plan*

Management, with the direction and oversight of the Audit Committee and the Board of Directors, is engaged in remediation actions to address the material weakness described above. The Company's remediation actions include, but are not limited to the following:

- Management has reviewed and refined the Company's current accounting memorandums related to FPP service contracts to address the proper financial reporting considerations. Additionally, management is enhancing the design of and implementing controls over financial reporting for FPP service contracts, including controls over the Information Technology systems specifically used in Company's process for receiving notice of FPP claims.

We believe these measures will remediate the material weakness, but management is assessing the need for any additional steps to remediate the underlying causes that gave rise to this weakness. The material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. There is no assurance that additional remediation steps will not be necessary.

Except as described above with respect to the remediation of the identified material weakness, there were no changes in our internal control over financial reporting during the most recent fiscal quarter that were identified in connection with management's evaluation required by paragraph (d) of Rules 13d-15 and 15d-15 under the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

Refer to Note 18 – Commitments and Contingencies — Legal Matters, in the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for information regarding legal proceedings in which we are involved. The Company is from time to time a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. In addition, the Company and certain of its former and current directors and officers are party to several material legal proceedings. The outcome of litigation is inherently uncertain. If one or more legal matters were to be resolved against the Company in a reporting period for amounts in excess of management's expectations, the Company's financial condition and operating results for that reporting period could be materially adversely affected.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in the "Risk Factors" section contained in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2025, together with the cautionary statement under the caption "Special Note Regarding Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q. The risks described are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

***There is substantial doubt about our ability to continue as a going concern, and this may adversely affect our stock price and ability to raise capital.***

In connection with the preparation of these Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2025, management evaluated whether there were conditions and events, considered in the aggregate, that raised substantial doubt about our ability to meet our obligations as they become due over the next twelve months from the date of the issuance of the financial statements. As of December 31, 2025, we had cash of $15.2 million and a working capital deficit of $22.9 million. We had net income of $1.2 million and $1.3 million during the three and nine months ended December 31, 2025, respectively.

The outstanding Exit Roll Up Notes (as defined in Note 8 – Debt) will mature on December 7, 2026 (see Note 8 – Debt in the Notes to Condensed Consolidated Financial Statements for further discussion). We do not expect to have sufficient internally generated cash, nor do we expect that we could obtain sufficient financing through underwritten public offerings, at-the market offerings or other similar methods, to satisfy the obligations of the Exit Roll Up Notes. If we are unable to repay the obligations of the Exit Roll Up Notes on the maturity date, we will be in default under the Exit Note Purchase Agreement (as defined in Note 8 – Debt), which may result in, among other things, default interest or an acceleration of all obligations. It is not certain whether we will have, or will be able to obtain, sufficient funds to make any such accelerated payments. If any outstanding indebtedness under the Exit Note Purchase Agreement is accelerated, our assets may not be sufficient to repay such indebtedness.

We and our advisors are considering various alternatives to address the upcoming maturity of the Exit Notes, which may include issuances of equity or the incurrence of additional indebtedness; however there can be no assurance that we will be successful in refinancing the Exit Roll Up Notes.

Given our current cash position, lack of liquidity, short term debt maturity, limits to accessing capital and debt funding options, and current economic and market risks, there exists substantial doubt regarding our ability to continue as a going concern and our ability to meet our financial obligations as they become due over the next twelve months from the date of issuance of the financial statements as of, and for the period ended December 31, 2025. The substantial doubt about our ability to continue as a going concern may adversely affect the price of our common stock and the grade of our credit rating, may negatively impact relationships with third parties with whom we do business, including customers, vendors and lenders, may impact our ability to raise additional capital or implement its business plan.

The Exit Note Purchase Agreement, as amended, defines an event of default as, among other things, payment default, bankruptcy events, cross defaults, breaches of covenants and representations and warranties, changes of control and judgment defaults. An event of default, if not waived, could have a material adverse effect on our business and financial condition. In the event we fail to meet our obligations to repay the Exit Roll Up Notes, the collateral agent under the Exit Note Purchase Agreement, may enforce any and all liens and security interests on the collateral we used to secure the Notes and we may be required to forfeit our right to such collateral.

***There are uncertainties and risks related to the profitability, safety and regulatory environment of AI that could adversely affect our business and operations.***

In order to position ourselves to take advantage of growth opportunities, we have made, and may continue to make, investments, strategic acquisitions, mergers, partnerships, joint ventures and alliances related to AI-infrastructure and data centers that involve significant risks and uncertainties. We only recently began to pursue initiatives in AI related technologies and have not made any sales to AI infrastructure clients. Some of our competitors, including competitors that have significantly greater resources, have already successfully generated revenues from AI business lines. AI technologies and their uses are currently evolving rapidly. If we fail to successfully integrate our products in AI infrastructure or develop new products in response to changes in technology or industry standards or fail to bring product enhancements or new product developments to market quickly enough, our products could rapidly become less competitive or obsolete for use in the development of AI infrastructure. Thus, the future profitability of any AI-related investments is highly uncertain and such investments may adversely affect our business and operations.

The regulatory landscape surrounding AI is also evolving rapidly, and we anticipate increased scrutiny and potential regulation in the near and long term. If we continue to invest in utilizing our products for the development of AI data centers and other AI infrastructure, then any such developments may significantly impact our business and operations in ways that are difficult to predict. Governments and regulatory bodies are considering measures to ensure the responsible development and deployment of AI systems, including transparency, accountability, and fairness guidelines. The amount of energy used for AI has also received significant attention, and it is expected that energy efficiency and sustainability will be critical factors regulating AI data centers. Any future regulation of AI systems and related activities, including energy efficiency, could adversely affect our business and operations.

**Item 5. Other Information**

*Rule 10b5-1 Trading Plans*

During the quarter ended December 31, 2025, none of our directors or officers adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities to satisfy the affirmative defense conditions of “Rule 10b5-1 trading arrangement” or any “non-Rule 10b5-1 trading arrangement.”

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**Item 6. Exhibits**

| Exhibit Number | Description |
|---|---|
| 3.1 | Second Amended and Restated Certificate of Incorporation of Capstone Green Energy Holdings, Inc. (a) |
| 3.2 | Amended and Restated Bylaws of Capstone Green Energy Holdings, Inc. (a) |
| 4.1 | Super-Priority Senior Secured Debtor-In-Possession Note Purchase Agreement, dated as of October 2, 2023, among Capstone Green Energy Corporation, as a Chapter 11 Debtor and Debtor-in-Possession, the other debtors party thereto from time to time, each as a Chapter 11 Debtor and Debtor-in-Possession and as a Guarantor, Broad Street Credit Holdings LLC, as Purchaser, and Goldman Sachs Specialty Lending Group, L.P., as Collateral Agent (b) |
| 4.2 | First Amendment to Super-Priority Senior Secured Debtor-In-Possession Note Purchase Agreement, dated as of November 15, 2023, among Capstone Green Energy Corporation, as a Chapter 11 Debtor and Debtor-in-Possession, the other debtors party thereto from time to time, each as a Chapter 11 Debtor and Debtor-in-Possession and as a Guarantor, Broad Street Credit Holdings LLC, as Purchaser, and Goldman Sachs Specialty Lending Group, L.P., as Collateral Agent (c) |
| 4.3 | Exit Note Purchase Agreement, dated December 7, 2023, by and among Capstone Green Energy LLC, Capstone Green Energy Holdings, Inc., Capstone Financial Services, Broad Street Credit Holdings LLC, as Purchaser, and Goldman Sachs Specialty Lending Group, L.P., as Collateral Agent (a) |
| 4.4 | First Amendment to Note Purchase Agreement, dated as of June 28, 2024, by and among Capstone Green Energy Holdings, Inc., Capstone Green Energy LLC, Capstone Turbine Financial Services, LLC, Goldman Sachs Specialty Lending Group, L.P. and the Purchaser party thereto. (d) |
| 4.5 | Form of Pre-Funded Warrant. (e) |
| 10.1 | Consulting Agreement, dated as of November 10, 2025, between Capstone Green Energy Holdings, Inc. and BBR Financial Solutions, LLC. (f) |
| 10.2 | Securities Purchase Agreement, dated as of November 24, 2025, by and among Capstone Green Energy Holdings, Inc. and the purchasers party thereto. (e) |
| 10.3 | Registration Rights Agreement, dated as of November 24, 2025, by and among Capstone Green Energy Holdings, Inc. and the purchasers party thereto. (e) |
| 10.4 | Placement Agency Agreement, dated November 24, 2025, by and between Capstone Green Energy Holdings, Inc. and Craig-Hallum Capital Group LLC. (e) |
| 31.1* | Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32** | Certification of Chief Executive Officer and Chief Financial Officer 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS* | 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* | XBRL Schema Document |
| 101.CAL* | XBRL Calculation Linkbase Document |
| 101.LAB* | XBRL Label Linkbase Document |
| 101.PRE* | XBRL Presentation Linkbase Document |
| 101.DEF* | XBRL Definition Linkbase Document |
| 104* | The cover page from Capstone Green Energy Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended December 31, 2025, formatted in Inline XBRL and contained in Exhibit 101 |

* Filed herewith
** Furnished herewith

(a) Incorporated by reference to Capstone Green Energy Holdings, Inc.'s Current Report on Form 8-K12G3 filed on December 11, 2023 (File No. 001-15957).

(b) Incorporated by reference to Capstone Green Energy Corporation's Current Report on Form 8-K filed on October 3, 2023 (File No. 001-15957).

(c) Incorporated by reference to Capstone Green Energy Corporation's Current Report on Form 8-K filed on November 17, 2023 (File No. 001-15957).

(d) Incorporated by reference to Capstone Green Energy Holdings, Inc.'s Current Report on Form 8-K filed on June 28, 2024 (File No. 001-15957).

(e) Incorporated by reference to Capstone Green Energy Corporation's Current Report on Form 8-K filed on November 24, 2025 (File No. 001-15957).

(f) Incorporated by reference to Capstone Green Energy Corporation's Current Report on Form 8-K filed on November 14, 2025 (File No. 001-15957).

**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 thereunto duly authorized.

CAPSTONE GREEN ENERGY HOLDINGS, INC.

By: /s/ JOHN MILLER

John Miller
*Interim Chief Financial Officer*
*(Interim Principal Financial Officer)*

Date: February 12, 2026

**Exhibit 31.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**

I, Vince J. Canino, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Capstone Green Energy Holdings, 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.

Date: February 12, 2026

By: /s/ VINCE J. CANINO
Vince J. Canino
*President and Chief Executive Officer*
*(Principal Executive Officer)*

**Exhibit 31.2**

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**

I, John Miller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Capstone Green Energy Holdings, 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.

Date: February 12, 2026

By: /s/ JOHN J. MILLER
John J. Miller
*Interim Chief Financial Officer*
*(Principal Financial Officer)*

**Exhibit 32**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**

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

In connection with the quarterly report of Capstone Green Energy Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Vince J. Canino, as Chief Executive Officer of the Company, and John Miller, as Interim Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

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

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

By: /s/ VINCE J. CANINO
Vince J. Canino
*President and Chief Executive Officer*
*(Principal Executive Officer)*

By: /s/ JOHN J. MILLER
John J. Miller
*Interim Chief Financial Officer*
*(Principal Financial Officer)*

Date: February 12, 2026