

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2024

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
(State or other jurisdiction of
incorporation or organization)
16640 Stagg Street,
Van Nuys, California
(Address of principal executive offices)

20-1514270
(I.R.S. Employer
Identification No.)

91406
(Zip Code)

(818) 734-5300

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Table with 3 columns: Title of each class, Trading Symbol(s), Name of exchange on which registered. Row 1: Common Stock, par value \$0.001 per share, N/A, N/A

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

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

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

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, 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report

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

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

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

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

The aggregate market value of the shares of common stock of Capstone Green Energy Corporation held by non-affiliates on September 30, 2023 was approximately \$9.4 million.

As of September 24, 2024, the registrant had 18,540,789 shares of common stock, par value \$0.001 per share, and 508,475 shares of non-voting common stock, par value \$0.001 per share, outstanding.

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## EXPLANATORY NOTE

*All references in this Annual Report on Form 10-K to “the Company,” “we,” “us,” “our,” or “Capstone” are to Capstone Green Energy Corporation and its consolidated subsidiaries prior to the Effective Date (as defined below) and to Capstone Green Energy Holdings, Inc. and its consolidated subsidiaries following the Effective Date.*

As previously reported in the Current Report on Form 8-K and the 2023 10-K of the Capstone Green Energy Corporation and its wholly owned direct subsidiaries, Capstone Turbine International, Inc. and Capstone Turbine Financial Services, LLC (the “Debtors”) filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). The Chapter 11 proceedings were jointly administered under the caption *In re Capstone Green Energy Corporation, Inc., et al.* as Case No. 23-11634 (the “Chapter 11 Cases”). Concurrent with the petition, the Debtors (i) entered into the Transaction Support Agreement (“TSA”) with the pre-petition senior secured creditor, Broad Street Credit Holdings, LLC (“Broad Street”), and Goldman Sachs Specialty Lending Group, L.P. (the “Collateral Agent”) and (ii) file a Joint Prepackaged Chapter 11 Plan of Reorganization of Capstone Green Energy Corporation and its Debtor Affiliates (the “Plan”).

On October 24, 2023, in accordance with the TSA and the Plan, the Debtors filed a supplement to the Plan (the “Plan Supplement”) which included schedules for enterprise valuations, assumed and rejected executory contracts, among other updates. Additional updates were filed in early November 2023 for the completion of schedules and exhibits containing information including governance documents, service contracts and other asset listing materials. On November 14, 2023, the Bankruptcy Court entered an order confirming the Plan and the Debtors satisfied all conditions required for Plan effectiveness and the Company emerged (the “Emergence”) from the Chapter 11 Cases on December 7, 2023 (the “Effective Date”).

In connection with the Plan, on December 7, 2023, the Company completed a series of transactions pursuant to which, among other things, Capstone Turbine International, Inc., a former wholly owned subsidiary of Capstone Green Energy Corporation, became a public company and was renamed Capstone Green Energy Holdings, Inc. as successor to Capstone Green Energy Corporation for purposes of SEC registration. Capstone Green Energy Corporation became a private company (the “Reorganized PrivateCo”) and a new subsidiary was formed called Capstone Green Energy LLC (the “Operating Subsidiary”). The 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.

## NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains or refers to certain statements that are not historical fact and are “forward-looking” statements as defined in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. Words such as “expect,” “anticipate,” “should,” “believe,” “target,” “project,” “goals,” “estimate,” “potential,” “predict,” “may,” “will,” “might,” “could,” “intend” and variations of these terms and similar expressions are intended to identify these forward-looking statements, although not all forward-looking statements contain these identifying words.

These statements are based largely on our current expectations, estimates and forecasts and are subject to a number of risks and uncertainties, including those described in Part I, Item 1A, “Risk Factors” in this Annual Report on Form 10-K, which could cause actual results, performance and achievements to differ materially from those anticipated by these forward-looking statements. Furthermore, new risks may emerge from time to time 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 when made and we undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Factors to consider when evaluating these forward-looking statements include, but are not limited to:

- our ability to realize the anticipated benefits of our recently completed financial restructuring;
- the restrictions imposed by the covenants contained in the Exit Note Purchase Agreement (as defined in Note 12— Debt) and the Operating Subsidiary LLC Agreement (as defined in Note 3 – Chapter 11 Proceedings and Emergence) and our ability to comply with the financial covenants contained in the Exit Note Purchase Agreement;
- the impact of several recent key management changes and the Company’s ability to retain key employees following the financial restructuring;
- risks related to the restatement of our previously issued consolidated financial statements, including costs, risks and uncertainties associated with the pending SEC investigation into the circumstances surrounding such restatement;
- our ability to remediate the material weaknesses in internal control over financial reporting disclosed in this Annual Report on Form 10-K;
- risks related to our history of net losses and ability to raise additional capital and fund future operating requirements;
- risks related to the limitation of capital available to the Company;
- 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;

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- changes to trade regulation, quotas, duties or tariffs and sanctions caused by the changing U.S. and geopolitical environments, including the ongoing conflicts in Ukraine, Israel and Gaza;
- security and cybersecurity risks related to our electronic processing of sensitive and confidential business and product data;
- our ability to adequately protect our intellectual property rights; and
- the impact of pending or threatened litigation.

The above description of risks and uncertainties is by no means all-inclusive but highlights certain factors that we believe are important for your consideration. For a more detailed description of risk factors, please refer to Part I, Item 1A, “Risk Factors” in this Annual Report on Form 10-K.

## PART I

### Item 1. Business.

#### Overview

Capstone is a provider of customized microgrid solutions, on-site resilient green Energy-as-a-Service (“EaaS”) solutions and on-site energy technology systems focused on helping customers around the globe solve the “Energy Trilemma” of resiliency, sustainability, and affordability. We offer customers a range of commercial, industrial and utility scale options tailored to their specific needs ranging from 65 kilowatts (“kW”) to multiple megawatts (“MW”). Capstone’s product portfolio not only showcases our core microturbine technology but also includes flexible EaaS rental and service contracts. Through our EaaS business line, we offer build, own, operate and maintain (“BOOM”) solutions, as well as energy rental solutions utilizing its microturbine energy, comprehensive service contracts that cover planned and unplanned maintenance, and factory-certified aftermarket spare parts. In our pursuit of cutting-edge solutions, we have forged strategic partnerships to extend our impact. Through these collaborations, we offer biomass and heat recovery solutions that enhance the sustainability and efficiency of our clients’ operations, contributing to a cleaner and more responsible energy landscape.

We develop, manufacture, market, sell and service microturbine-based technology solutions for use in stationary distributed power generation applications and distribution networks, including cogeneration (combined heat and power (“CHP”), integrated combined heat and power (“ICHP”) and combined cooling, heat and power (“CCHP”)), as well as renewable energy, natural resources, and critical power supply applications. Capstone microturbines allow customers to produce power on-site in parallel with the local electric grid or stand-alone when no local electric grid is available. Several technologies are used to provide “on-site power generation” (also called “distributed generation”) such as reciprocating industrial engines (also known as internal combustion engines), solar photovoltaic power (“PV”), wind turbines and fuel cells. Microturbines can be interconnected to other distributed energy resources to form “microgrids” located within a specific geographic area and to provide power to a group of buildings. For customers that do not have access to the local electric utility grid, microturbines provide clean, on-site power with fewer scheduled maintenance intervals and greater fuel flexibility than competing technologies. For customers with access to the electric grid, microturbines provide an additional source of continuous, flexible, on-site power generation, thereby providing additional reliability and potential cost savings compared to the local utility. With our stand-alone feature, customers can produce their own energy in the event of a utility power outage and can use microturbines as their primary source of power for extended periods of time unlike traditional diesel standby generator sets. Because our microturbines also produce clean, usable heat energy, they provide economic advantages to customers that can benefit from the use of hot water, chilled water, air conditioning, steam and direct drying. In addition, our microturbines have been used as battery charging generators for hybrid electric vehicles. Our microturbines are sold, installed and serviced primarily through our global distribution network. Together with our global distributors, we offer new and remanufactured parts as well as comprehensive Capstone factory protection plans through long-term service agreements. We also offer our microturbines for rent through our long-term rental program (which forms a part of our EaaS business).

We offer Capstone microturbine energy systems designed for commercial, industrial, and onshore and offshore oil and gas applications with product offerings ranging from 65 kW to one MW in electric power output, which can be deployed in arrays of multiple MWs. Our microturbines combine patented air bearing technology, advanced combustion

technology, sophisticated power electronics, and advanced software controls to form efficient and ultra-low emission electricity and cooling and heat production systems. Because of our air bearing technology, our microturbines do not require lube oil, grease, or traditional coolants. This means they do not require routine maintenance to change and dispose of lube oil, grease, or other liquid lubricants, as do the most common reciprocating engines, making them a cleaner and environmentally friendly option to alternative technologies.

We also manufacture and supply system controllers that provide complete automated system control, including electrical load following and custom logic to protect against expensive local utility demand charges. These controllers include the legacy Capstone Logic Controllers (CLC) and the Capstone C1000 system controllers.

Our microturbines can be fueled by various sources, including natural gas, propane, butane, various sour gases, and renewable fuels such as renewable natural gas, landfill gas, biogas or digester gas. Our microturbines are available with integrated unit mounted heat exchangers, making them easy to engineer and install in applications where hot water, chilled water, air conditioning or steam are desired. Alternative fuels, in particular hydrogen, are increasingly important and the Company's standard high pressure natural gas microturbine can reliably run on a 30% hydrogen / 70% natural gas mix. This is a promising milestone on the development roadmap to 100% hydrogen solutions.

Our microturbines are sold primarily through global distributors and Original Equipment Manufacturers ("OEMs"). Distributors purchase our products for sale to end users and also provide service, application engineering, and installation support. Distributors also provide a variety of additional services, including engineering, application, and air permit support services in which the microturbines will be used, installation support of the products at the end users' sites, commissioning the installed applications and providing post-commissioning service, including a comprehensive factory protection plan ("FPP"). Our distributors perform as independent value-added resellers. OEMs integrate our products into their own product solutions.

This Annual Report on Form 10-K (this "Form 10-K") refers to our fiscal years ending March 31 as "Fiscal" years.

## **Products**

Our microturbines are compact, lightweight and environmentally friendly generators of electricity and heat compared to competing technologies. They operate on the same principle as a jet engine using a variety of commercially available fuels. For example, our microturbines can operate on low British Thermal Unit ("BTU") gas, which is gas with lower energy content, and can also operate on gas with a high amount of sulfur, known in the industry as sour gas. Examples of these fuel sources include methane from facilities such as wastewater treatment plants, landfills and anaerobic digesters. Our microturbines' multi-fuel capability provides competitive advantages with respect to some of our selected vertical markets. The combustor system remains the same for all fuels except for the fuel injectors, which currently vary between liquid and multiple gaseous fuels.

Our microturbines incorporate four major design features: advanced combustion technology, patented air bearing technology, digital power electronics and proprietary remote monitoring systems.

- Our advanced combustion technology allows our microturbines to achieve low emissions. Our natural gas fueled C65, C200, C600, C800 and C1000S series microturbines were certified by the California Air Resources Board (the "CARB") as meeting its stringent 2007 emissions requirements—the same emissions standard used to certify fuel cells and the same emissions levels that a central power plant must satisfy. These low emission levels not only provide an environmentally friendly product, but also eliminate permitting requirements in several municipalities for continuously operated onsite power generation.
- Our patented air bearing system allows the microturbine's single moving assembly to produce power without the need for typical petroleum-based lubrication. Air bearings use a high-pressure field of air rather than petroleum lubricants. This improves reliability and reduces maintenance such as oil changes.

- Our digital power electronics manage critical functions and monitor operations of the microturbine. Our electronic controls manage the microturbine's speed, temperature and fuel flow and communication with external networks and building management systems. The digital power electronics coordinate with the grid when the units are operated in a grid connect mode and with the onboard battery when equipped for stand-alone mode. The digital power electronics also include the functionality of seamless transfer capabilities, ensuring the end-users' critical loads do not experience any interruption to their operation in the event of a utility power outage. All control functions are performed digitally. Performance is optimized, resulting in low emissions, high reliability, and high efficiency over a variable power range.
- Our proprietary Capstone Remote Monitoring Software allows end users to operate and manage the microturbine remotely. This remote capability can provide end users with power generation flexibility and cost savings.

Our electronic controls manage microturbines using our proprietary software and advanced algorithms. The controls start the turbogenerator and manage its load, coordinate the functioning of the microturbine with the grid, manage the speed, fuel flow and exhaust temperature of the microturbine, convert the variable frequency, and provide digital communications to externally maintain and control the equipment.

The electrical output of our units can be paralleled in multiple unit configurations through our system controllers and a digital communications cable to serve larger installations requiring electrical loads of multiple MWs. Our products can operate connected to the electric utility grid as a current source, on a stand-alone basis as a voltage source, multipacked to support larger loads as a "virtual single" unit and in dual mode, where the microturbine operates connected to the electric utility grid or operates independently.

Our 65 kW ("C65"), as well as our 200 kW ("C200") and 400 kW, 600 kW, 800 kW and 1000 kW ("C1000S Series") grid connect and stand-alone microturbines are listed by Underwriters Laboratories ("UL") as meeting the UL 2200 stationary engine generator standards and the UL 1741SA utility interconnection requirements. We are in the process of completing the certification for UL 1741SB.

Our C65 microturbine is certified by the California Energy Commission (the "CEC") to comply with the requirements of the CEC's "Rule 21" grid interconnection standard. This standard streamlines the process for connecting distributed generation systems to the grid in California. The benefits of achieving this standard include avoiding both costly external equipment procurement requirements and extensive site by site and utility by utility analysis. Our protective relay functionality has also been recognized by the State of New York, which allows our microturbines to be connected to New York's electric utility grid.

We offer various accessories for our products, including rotary gas compressors with digital controls, integrated heat recovery modules for CHP applications, dual mode controllers that allow automatic transition between grid connect and stand-alone modes, batteries with digital controls for stand-alone or dual mode operations, system controllers for large multipack installations, protocol converters for Internet access, packaging options and miscellaneous parts such as frames, exhaust ducting, backflow dampers and installation hardware.

### **Power Generation Applications**

Our C65 microturbine can produce enough heat to provide hot water to a 100-room hotel while also providing about one third of its electrical requirements. Our C200 microturbine is well suited for larger hotels, offices, commercial and industrial buildings, and wastewater treatment plants, among others. By packaging the C200 microturbine power modules into single enclosures which are available in multiple sizes and are built in similar dimensions to a standard shipping container, we have created an upgradable family of microturbine offerings from 400 kW up to 1000 kW, or 1 MW, in a compact footprint engineered to function as a single source of power. Our C1000S Series microturbines are well suited for utility substations, larger commercial and industrial facilities and remote oil and gas applications. Our 600 kW and 800 kW systems can be shipped in a five-bay configuration which allows the end-use customer to add one to two more 200 kW microturbines in the future to increase their total on-site power production from 600 kW to 1000 kW without any change to the existing site footprint, as the customer's business power demands expand over time.

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Stationary power generation applications can vary greatly depending on load size and demand location. From small 2 kW back-up generators to several large 1,000 MW central generating facilities, stationary power systems can offer superior fuel efficiency for the customer while also meeting strict emissions regulations. Historically, power generation in developed countries such as the United States has been part of a regulated utility system. However, a number of developments related primarily to the deregulation of the utility industry as well as significant technological advances have helped to broaden the range of power supply options available to interested parties.

Our full line of microturbine energy solutions target multiple vertical markets worldwide, including energy efficiency, natural resources, renewable energy, critical power supply, microgrid and transportation products. Within these vertical markets, we focus on applications that we believe have the greatest near-term potential for the customer based on various factors such as energy load demand, available fuels, economic payback and, for some, government incentives. The critical power supply, microgrid and transportation product verticals do not currently generate significant revenues for us; however, we have experienced continued development in these verticals and remain focused on the development of applications in these verticals. We also target smaller sub segments that fall within these vertical markets that may not otherwise be considered for on-site generation.

*Energy Efficiency—CHP/CCHP*

Energy efficiency refers to the proper utilization of both electrical and thermal energies in the power production process. In such applications, our microturbines are able to maximize the availability of usable energy to provide a significant economic advantage to our customers while reducing their on-site emissions. CHP and CCHP can improve site economics by capturing the waste heat created from a single combustion process to increase the efficiency of the total system, from approximately 30% to approximately 85% for hot water and chilled water to as much as 90% or more for some steam and direct drying applications. Compared with more traditional, independent generation sources, the increase in operational efficiency also reduces greenhouse gas emissions through the displacement of other separate systems, which can also reduce operating costs and industrial waste.

When compared to on-site boilers, microturbines generally produce fewer commonly found air pollutants (“criteria pollutants”), such as nitrogen oxides (“NOx”), carbon monoxide (“CO”) and volatile organic compounds (“VOCs”). In fact, our CHP or CCHP system can displace local boiler emissions altogether. A high efficiency CHP or CCHP system can allow for reduced net utility costs for end users as well as improved fuel consumption. The most common uses for captured thermal energy include space heating and air conditioning, water heating and water chilling, direct-drying and steam for industrial applications. In CCHP applications, the microturbine exhaust drives an absorption chiller, which produces the chilled water necessary for air conditioning and local use. Organizations of all sizes have used the heat generated by our microturbines at the many different types of commercial and industrial applications they serve, including hotels and resorts, hospitals, and medical centers, as well as office buildings and large retail facilities.

During Fiscal 2024, we continued to develop our new hydrogen products. We are continuing our research and development partnership with Argonne National Laboratory and utilizing their high-performance computing with AI technology and are optimizing higher hydrogen blend configurations, with the goal of creating a 100% hydrogen microturbine. Argonne National Laboratory is a national science and technology research laboratory operated by the University of Chicago Argonne, LLC for the United States Department of Energy.

*Natural Resources—Crude Oil, Natural Gas, Shale Gas & Mining*

Our microturbines are installed in the natural resource market for use in both onshore and offshore applications, including exploration, production, compression, and transmission sites, as a highly efficient and reliable source of prime power. In some cases, these oil and gas or mining operations have no access to an electric utility grid and rely solely on power generated on-site. There are numerous locations, on a global scale, where the drilling, production, compression and transportation of oil and gas and other extraction and production processes create fuel byproducts, which are traditionally burned or released into the atmosphere. Our microturbines can turn these fuel byproducts, flare gas, or associated gas, into a useable fuel to provide prime power to these sites.



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The addressable market for our microturbines in the United States shale reserves industry is significant. The shale gas market for microturbines may grow as demand for natural gas continues to rise in the U.S. as the Environmental Protection Agency (“EPA”), the Department of the Interior and other federal and state agencies work to reduce the emission of hazardous air pollutants associated with natural gas development, including limitations on the flaring of excess gases. Our product sales in the natural resources market are driven by our microturbines’ reliability, emissions profile and ease of installation. However, any growth in the oil and gas sector within our natural resources market is primarily driven by oil prices.

The C65 and C200 microturbines can be configured to meet Class 1 Zone 2 hazardous location requirements for the natural resources market. Hazardous location requirements are met through third-party package ventilation changes for purging and pressurizing package air to avoid potential flammable mixtures as well as controls for emergency disconnect of fuel and electrical sources. The package can also be upgraded to stainless steel construction to withstand the often-corrosive offshore environments where these units are installed. Oil and gas customers often prefer power generation systems that offer low maintenance and high reliability in order to ensure continued production.

### *Renewable Energy*

There is a growing transition to renewable energy sources and technologies on a global scale. Our microturbines run efficiently on renewable fuels such as methane and other biogases from landfills, wastewater treatment facilities and renewable natural gas. They also run efficiently on other small biogas applications like food processing plants, livestock farms and agricultural green waste operations. Microturbines can burn these renewable fuels with minimal emissions, thereby, and in some cases, avoiding the imposition of penalties incurred for pollution while simultaneously producing electricity from this “free” renewable fuel source for use at the site or in the surrounding areas. Our microturbines have demonstrated effectiveness in these smaller applications and may outperform conventional combustion engines in some situations, including when the gas contains a high amount of sulfur, as the sulfur can contaminate combustion engines’ lube oil leading to equipment breakdowns and higher lifecycle costs.

We offer C65 and C200 stand-alone digester gas-fueled products to the renewable energy market segment. With these products, we can target many different types of renewable energy applications, including biogas producing facilities in third world countries and in remote locations that offer a valuable fuel source for the generation of electricity. The performance of our C65 digester gas system has been routinely evaluated to ensure that the combustion system is stable from zero to 100 percent power output. Minor controls changes have been implemented to increase stability at low power levels. The ability to convert this low BTU fuel to electricity, along with the high reliability and low maintenance features of this product, make it well suited for this market segment.

### *Critical Power Supply*

Because of the potentially catastrophic consequences of system failure, momentary or otherwise, certain high - demand power users, including high technology, health care and information systems facilities, require higher levels of reliability in their power generation service. The majority of microturbine-based distributed generation installations have powered through hurricanes with little or no downtime. To meet these customer requirements, traditional solutions utilize Uninterruptible Power Supplies (“UPS”) to protect critical loads from power disturbances along with back-up diesel generators for extended outages. We offer an alternative solution where our microturbines can also be installed along with a rotary UPS to provide a complete line interactive continuous power solution. In this case, the microturbines remain in grid connect mode while the rotary UPS stabilizes the utility voltage and provides a seamless transfer from operation connected to the grid to operation isolated from the grid.

### *Microgrid*

A microgrid is a group of interconnected loads and distributed energy resources that acts as a single controllable energy entity with respect to the grid. Distributed energy resources typically include other dual-mode microturbines, reciprocating engines, PV, wind turbines, fuel cells and battery storage. Microgrids can be connected to larger electricity grids; however, in the event of a widespread outage, the microgrid will disconnect from the main grid and continue to operate independently to maintain the electricity supply to the homes and businesses that are connected to the microgrid’s

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electricity network. Our microturbines have the ability to meet the needs of microgrid end-users by lowering their overall cost to operate and by providing a versatile dispatchable technology that is fuel flexible and scalable enough to fit a wide variety of applications. Our distribution partners have also paired our microturbines with battery storage and EV chargers to offer vehicle charging solutions.

Additionally, we have our own programmable logic control system and sensors, which interface with other building automation systems and are a key aspect of monitoring a microgrid. The use of microgrids to serve local loads helps to reduce energy losses in transmission and distribution, further increasing the efficiency of the microgrid. We have been a part of numerous successful microgrid installations worldwide ranging from a wind turbine manufacturer, ski resort, university, industrial farm, utility software company, brewery and electrical distribution utility. Our microturbines' functionality is to ensure energy availability for advanced microgrids before and during disasters, such as hurricanes. They may also help reduce electrical expenditures in the years following a disaster when electric utility rates may be increased to pay for the expenses for grid infrastructure repairs and improvements associated with these disasters.

*Transportation*

Our technology can also be used to support Electric Vehicle ("EV") market by providing power solutions to charge vehicles. Our products can fill a void in the EV market for vehicle charging capacity and charging convenience. Our customers have applied our products in EV applications for fleets and remote location charging stations. We are continuing to pursue global EV charging opportunities to fill the demand for power in this market segment.

**Sales and Marketing**

We primarily sell and market our microturbine products, parts, rentals and services through our global network of authorized Capstone distributors and OEMs.

Our Sales and Marketing team operates as one organization. Our team is focused on developing and managing our existing worldwide distribution channel, growing our long-term rental fleet, and leading all marketing and advertising activities as we continue building our Company into a strong and recognizable worldwide brand. We continue to fulfill rental contracts by renting unused equipment previously sold to our customers and then re-renting them to our customers and selling rental assets to build additional capital to continue to refresh and grow the rental fleet. Our existing global distribution network remains our worldwide feet-on-the-ground and our local presence.

Our worldwide Capstone authorized distribution network was developed from the ground up and has become a valuable asset, because we can reach end use customers globally. Each of our distributors is a strategically placed independent partner that markets, sells, and provides applications engineering support for our products on our behalf. In addition, distributors provide remote monitoring services, warranty support, local spare parts support, customer training and long-term service support. Through our global distribution network, we offer a comprehensive FPP for a fixed fee to perform regularly scheduled and unscheduled maintenance as needed. We provide factory and on-site training to certify all personnel that perform sales, applications, commissioning, and long-term service on our microturbines. Individuals who are certified are called Authorized Service Providers and must be employed by a distributor or an end user in order to perform work pursuant to an FPP. We offer to assist customers by reviewing their installation designs in relation to the technical requirements for proper operation of our products, such as electrical interconnections, load requirements, fuel type and pressure, cooling air flow and turbine exhaust routing. As part of the microturbine commissioning process, we also receive a checklist to confirm that the final installation adheres to our technical requirements before we accept our standard manufacturer warranty obligations. Our typical terms of sale include shipment of the products with title, care, custody, and control transferring at our dock, payment terms ranging from full payment in advance of shipment to payment in 90 days, and warranty periods of approximately 12 to 24 months from shipment depending on the product type. We typically do not have customer acceptance provisions in our agreements.

The Distributor Support System ("DSS program") provides additional support for distributor business development activities, customer lead generation, brand awareness and tailored marketing services for each of our major geographic and market verticals. This program is funded by the distributors and was developed to provide improved worldwide distributor training, access to online documentation and technical publications, paperless service software, sales

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efficiency, website development, company branding and funding for increased strategic business-to-business (B2B) marketing activities. The DSS program is owned and operated by Capstone Distributor Support Services Corporation (CDSSC), related party, for the Company under a Services Agreement.

## **Our Geographic Markets**

### *United States and Canada*

We have distribution agreements with several companies throughout North America for the resale of our products. Many of these distributors serve multiple markets in their select geographic regions. The primary markets served in this region have been energy efficiency, renewable energy, natural resources, and EV charging products. The energy efficiency and natural resources vertical markets are expected to grow as a result of an increased domestic production of hydrocarbons, the low downstream price of natural gas, utility grid shortages due to rising electrification and EV charging demands, as well as public and regulatory acceptance and promotion of distributed generation.

In developing our sales opportunities, we have identified the need to address various requirements present in our target localities. These requirements include electric grid interconnection standards, gas utility connection requirements, emissions standards, building and fire safety codes and various inspections and approvals. The costs and scheduling ramifications of these various approvals, in conjunction with normal bidding process requirements and construction delays, can be significant to the completion of an installation. Our goal is to work with the applicable regulating entities to establish compliant standards for the installation of our microturbines so that costs and installation timelines are minimized for our customers.

### *Latin America*

Our target markets in Latin America are energy efficiency, renewable energy, and natural resources. Oil and gas production projects continue to be a growing market in Latin America and there is a high degree of interest in EaaS options.

Energy reform in Mexico, for example, has opened new market opportunities for us by allowing competition among multiple players and enabling power generation companies to sell directly to consumers instead of only to the state-owned Federal Electricity Commission. Near-shoring of industrial manufacturing, grid power shortages and low cost natural gas also drive interest in distributed generation solutions. Our strategy is to leverage our distribution network in Mexico across various market verticals.

South America constitutes a diverse group of markets that vary greatly in potential capture for us based on several factors, including the availability of oil and gas production and transmission, energy pricing and political and investment climate. The success of existing solutions in Colombia and a more recent initial long-term rental solution in the developing natural resources market in Argentina have driven interest in our solutions in numerous regional markets where government and corporate leaders are seeking to reduce flaring, increase efficiency and lower costs.

### *Asia and Australia*

Our target markets in Asia and Australia are energy efficiency, renewable energy, and natural resources. Our historical sales in Southeast Asia and Australia have primarily been in the energy efficiency and the oil and gas markets. Other areas in Asia and the Pacific Rim offer attractive opportunities as well. Industrial manufacturing growth in Southeast Asia serving European and North American markets must adapt to new carbon-based regulations such as the EU's Carbon Border Adjustment Mechanism and public company green procurement policies that drive demand for energy efficiency and renewable solutions.

### *Middle East and Africa*

Our target market in the Middle East and Africa is primarily oil and gas. This includes flare gas to power projects which are a particularly attractive market opportunity given the volume of gas being flared and the need for stable power in the region. Management has targeted distributors and customers involved in the capture and use of flare gas in the oil

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and gas market. However, the geopolitical environment in parts of this region is still volatile, which can have an impact on our sales. We are not currently impacted by the conflict in Israel/Gaza.

*Europe*

To address the European market, we are strengthening our relationships with existing and new distributors. We have upgraded our Integrated Remanufacturing Facility in the United Kingdom to make new and remanufactured parts readily available to our distributors. Europe has a history of extensive use of distributed generation technologies. We are also seeing a resurgence in oil and gas drilling in Europe to address the fuel shortage on the continent following the destruction of the Nord Stream gas pipeline. Following Russia's military invasion of Ukraine in February 2022, we re-evaluated our efforts in the Russian and the surrounding Commonwealth of Independent States ("CIS") markets and have ceased exploring growth opportunities in sanctioned markets. There are opportunities in Kazakhstan and Uzbekistan where oil and gas development continues. We do, however, continue to evaluate customer orders and ensure that we are in compliance with all laws and regulations upon acceptance and before shipment. Due to the ongoing conflict between Russia and Ukraine, and the resulting economic impacts to the European and Russia region, revenue in the region was negatively impacted in Fiscal 2024.

**Customers**

Sales to Cal Microturbine and E-Finity Distributed Generation, LLC ("E-Finity"), two of our domestic distributors, accounted for 16% and 13%, respectively, of our revenue for Fiscal 2024. Sales to E-Finity and RSP Systems accounted for 12% and 11%, respectively, of our revenue for Fiscal 2023. Additionally, Supernova Energy Services SAS ("Supernova"), one of our international distributors, and Capstone Engineered Solutions ("CES"), one of our domestic distributors, accounted for 14% and 11%, respectively, of net accounts receivable as of March 31, 2024, respectively. E-Finity accounted for 12% of net accounts receivable as of March 31, 2023.

We recorded net credit loss expense of approximately \$0.4 million during Fiscal 2024 and \$4.3 million during Fiscal 2023.

**Competition**

The market for our products is highly competitive. Our microturbine energy systems compete with existing technologies such as reciprocating engines and also with emerging distributed generation and storage technologies, including solar-powered systems, wind-powered systems, battery-storage systems, linear generators, fuel cells and other microturbines. Many potential customers rely on the utility grid for their electrical power. Many of our distributed generation competitors are large, well-established companies that derive competitive advantages from production economies of scale, worldwide presence, brand recognition and greater financial resources that they can devote to product development or promotion.

Often power purchased from the electric utility grid can be less costly than power produced by distributed generation technologies. Utilities may also charge fees to interconnect to their power grids. However, we can provide economic benefits to end users in instances where the waste heat from our microturbines have value (CHP and CCHP), where fuel costs are low (renewable energy/renewable fuels), where the costs of connecting to the grid may be high or impractical (such as remote power applications), where reliability and power quality are of critical importance, or in situations where peak shaving could be economically advantageous because of highly variable electricity prices. Because our microturbines can provide a reliable source of power, offer operational flexibility to meet varying load levels and can operate on multiple fuel sources, management believes we offer a level of flexibility not currently offered by other technologies such as reciprocating engines.

Reciprocating engine competitors have products and markets that are well developed and technologies that have been proven for some time. A reciprocating engine, also known as an internal combustion engine, is similar to those used in automotive applications. Reciprocating engines are popular for primary and back-up power applications despite higher levels of emissions, noise, and maintenance. These technologies, which in many cases have a lower up front cost than microturbines, are currently produced by Caterpillar Inc., Cummins Inc. (which entered into a joint venture with Eaton),

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Innio (who bought the General Electric gas engine business, which now includes Waukesha and Jenbacher gas engines), MAN SE, 2G Energy AG and Tecogen, Inc. (which now includes American DG Energy Inc.), among others.

Our products may also compete with other distributed generation and storage technologies, including solar-powered systems, wind-powered systems, battery energy storage systems, fuel cells and fly wheels. Solar- and wind -powered systems produce no emissions and benefit from above -market contracts provided by state mandates. The main drawbacks to solar- and wind -powered systems are that they may not be dispatchable because of their dependence on weather conditions and the utility grid and high capital costs that can often make these systems uneconomical without government subsidies, depending upon geographic locale and application of the technology. While these systems may be paired with battery energy storage systems to operate more flexibly, affordable long duration utility scale energy storage solutions have yet to emerge. Although the market is still developing, a number of fuel cell providers are also focused on markets similar to ours, including Ballard Power Systems Inc., Bloom Energy Corporation, Doosan Fuel Cell Co., Ltd. FuelCell Energy Inc., and Plug Power Inc. Fuel cells have slightly lower levels of NOx, CO, VOCs and other criteria pollutant emissions than our microturbines. However, with equivalent government incentives, microturbines would provide a better economic value to end users in most applications.

We also compete with other companies that offer microturbine products, including FlexEnergy and Ansaldo Energia S.p.A. (which manufactures the Turbec microturbine).

Overall, we compete with end users' other options for electrical power and heat generation on the basis of our products' abilities to:

- provide power when a utility grid is not available or goes out of service;
- reduce the total cost of purchasing electricity and fuel;
- improve electric power availability and provide high power quality;
- operate on multiple fuel types;
- reduce emissions (both criteria pollutants and greenhouse gases);
- simplify operation; and
- control maintenance costs and associated disposal of hazardous materials.

**Governmental and Regulatory Impact**

Our markets can be positively or negatively impacted by the effects of governmental and regulatory matters. We have systems installed in approximately 73 countries around the world, each of which has its own policies and regulatory framework, which are subject to change. We are affected not only by energy policies, laws, regulations and incentives of governments in the markets in which we sell, but also by rules, regulations and costs imposed by utilities. Utility companies or governmental entities may place barriers on the installation or interconnection of our products with the electric grid. Further, utility companies may charge additional fees to customers that install on-site power generation, thereby reducing the electricity they take from the utility, or for having the capacity to use power from the grid for back-up or standby purposes. These types of restrictions, fees or charges could hamper the ability to install or effectively use our products or increase the cost to our potential customers for using our systems. This could make our systems less economical for our customers, thereby adversely affecting our sales and ultimately our revenue and profitability. In addition, utility rate reductions can make our products less competitive, which would have a material adverse effect on our operations. These costs, incentives and rules are not always the same as those faced by technologies with which we compete. However, rules, regulations, laws and incentives could also provide an advantage to our distributed generation solutions as compared with competing technologies if we are able to achieve required compliance in a lower cost, more efficient manner. Additionally, reduced emissions and higher fuel efficiency could help our customers combat the effects of climate change. Accordingly, we may benefit from increased government regulations that impose tighter emission standards, particularly on burning coal and fuel oil and fuel efficiency, as long as gas combustion technology solutions are not excluded.

Government funding can impact the rate of development of new technologies or improvements to existing technologies. We continue to engage with federal and state policymakers to support government programs that promote the deployment of our low -emission and energy -efficient products. Competing new technologies have historically received larger incentives and development funding than do microturbines. However, the U.S. Department of Energy continues to fund the development of cost-effective, high -efficiency CHP that is responsive to site demands and grid requirements. Flexible CHP could provide additional generating capacity when grid demand increases, or renewable resources are not available. As more intermittent renewable resources are added to the electric grid, grid operators need access to additional dispatchable generation capacity to ensure an adequate and stable power supply. Capstone's system controllers could provide this automated response capability to allow for participation in grid services markets, where permitted.

In the United States, the Inflation Reduction Act introduced an updated structure to the Federal Investment Tax Credit (ITC) for CHP and microturbines ranging from 2% to 50% for projects that start construction by the end of 2024. The amount of the tax credit varies depending on whether the customer's total project meets or is exempt from prevailing wage and apprenticeship requirements, domestic content requirements, and/or is located in an energy community. Projects under 1 MW capacity are exempt from the prevailing wage and apprenticeship requirement. We believe our microturbine solutions, as manufactured products, meet the U.S. Department of Treasury and Internal Revenue Service regulations to qualify for the domestic content bonus credit of 10% for the ITC. Microturbine CHP solutions are now on a level playing field with the ITC received by competing technologies. In addition, bonus depreciation rules allow businesses to immediately deduct 60% of eligible property placed in service in calendar year 2024, ramping down 20% each year through the end of 2026. As a result, we may see a positive impact on our sales in the United States due to the availability of these tax incentives. However, other CHP and gas-powered distributed energy technology-providers will also benefit from the same tax incentives. At the state level, slow approvals for natural gas pipeline infrastructure may impact gas availability in some areas, and efforts to incentivize building electrification over natural gas-fueled heat and power sources may inhibit sales. However, electricity demand spikes from building and vehicle electrification policies may also lead to higher electricity prices or delays in access to grid power thereby improving project economics for on-site distributed power generation whether through rental, EaaS or sales solutions.

In global markets, European governments continue to support efficient CHP, particularly in Eastern European countries, and are acting on reducing local air pollution through regulations like the EU's Medium Combustion Plant and EcoDesign Directives. Our low emission systems' abilities to meet these programs' requirements may have a positive impact on our sales as implementation progresses. However, the EU's push for decarbonization may also leave natural gas-fueled, highly efficient systems in limbo despite their near-term carbon reduction potential and long -term viability with the uptake of renewable and decarbonized gas alternatives. The EU's Carbon Border Adjustment Mechanism may drive industrial manufacturers selling into the EU to adopt energy efficient practices over time to avoid penalties for larger carbon emissions on exports that compete with local European manufacturers. In the oil and gas market, production activities have grown as Europe seeks to fill the gap left by the loss of the Nord Stream pipeline, and many producers have committed to reduce methane emissions from their operations. Our systems' low maintenance costs, reliability, and ability to run on a range of fuels could fit such producers' needs and result in a positive impact on our sales.

### **Sourcing and Manufacturing**

We are focused on improving our supply chain effectiveness, strengthening our manufacturing processes, and increasing operational efficiencies within our organization. Our manufacturing designs include the use of conventional technology, which has been proven in high -volume automotive and turbocharger production for many years. Some components used in the manufacture of our products are readily fabricated from commonly available raw materials or off the shelf items available from multiple supply sources; however, many items are custom made to meet our specifications that require longer lead time. We believe that in most cases, adequate capacity exists at our suppliers. We have several single source suppliers with long lead times which may be more challenging to transition to another supplier. We have an ongoing program to develop alternative back up suppliers for sole source parts wherever possible, but this has been challenging with low production volumes and increased pricing. We regularly reassess the adequacy and abilities of our suppliers to meet our future needs. We continue to evaluate and implement new systems designed to provide improved quality, reliability, service, greater efficiency, and lower supply chain costs.

During Fiscal 2024, we remained focused on mitigating supply chain issues, such as the costs of commodities and delayed lead times, related to macroeconomic conditions. Localization of our immediate supply chain within the Southwest US, located in close proximity to our manufacturing facility in Van Nuys, California, mitigated much of the global stressors associated with a typical geographically dispersed supply chain, as many of our suppliers were sharing similar experiences following the pandemic in the same magnitude we were experiencing in parallel. However, this also resulted in slightly higher prices based on US markets. As the global markets stabilize, we are looking to low-cost countries for cost-saving opportunities. Global freight delays, tariffs and costs remain a concern from a logistics perspective, but in many cases the reduced price, despite tariffs and shipping costs still produces cost savings. Additionally, one of our primary raw material suppliers is significantly reducing their lead time as their capacity and availability has improved. To ensure component availability, we are right sizing our inventory to account for shipping times and variations in our customers' ordering patterns. We are continuing to keep in place proactive measures in the form of safety stocks and investigating dual sourcing potential partners to minimize interruptions to our supply chain. We experienced some supply chain interruptions in the second half of Fiscal 2024 due primarily to the Chapter 11 filing, with delayed payments to our suppliers due to limited cash. These interruptions have since significantly improved.

We have substantially increased our focus on process controls and validations, supplier controls, distribution controls and providing our operations teams with the training and tools necessary to drive continuous improvement in product quality in Fiscal 2025. In addition, we remain focused on examining our operations and general business activities to identify cost improvement opportunities to enhance our operational effectiveness and use of lean manufacturing processes. Our ability to leverage these capabilities may be affected by the current variability in our demand volumes and forecasting. Our demand volumes and forecasting could continue to be negatively impacted by the volatility of the global oil and gas markets, a strong U.S. dollar (making our products more expensive overseas), tariffs and/or import taxes, and ongoing global geopolitical tensions. Our strategy is to identify primary and secondary sources for critical components, both domestic and international, for when available to minimize production line down time due to unavailability of such parts, which could affect our ability to meet manufacturing schedules on build or a linear basis.

We have an approximately 42,300 square foot manufacturing footprint in our Van Nuys location in Southern California with production capacity of approximately 2,000 units per year, depending on product mix.

#### **Research and Development (“R&D”)**

In Fiscal 2024, we continued supporting business operational goals and enhancing our existing suite of products, focusing on alternative fuels and technologies, modernizing our key components, and continuing development in the global evolution of grid interconnection requirements. We focus our engineering efforts on coordinating our product design and manufacturing processes to bring our products to market in a cost-effective, reliable and timely manner. For Fiscal 2024 and 2023, R&D expenses were \$2.5 million and \$2.4 million, representing approximately 3% of total revenue, respectively, for these fiscal years.

We own two patents related to fuel injection and emissions. The first patent issued is for a multi-staged lean pre-vaporizing, pre-mixing fuel injector providing ultra-low emissions that meet EPA Tier 4 requirements for power generation. Under this program, exhaust emissions from these engines will be required to decrease by more than 90%. The second patent is for a multiple-fuel capable, pre-mixed, low emission injector for high flame speed fuel combustion. This patent is the foundation for continued development in achieving high reliability and performance with hydrogen content fuels.

During Fiscal 2024, we continued to partner with Argonne National Laboratory and the University of California, Irvine (“UCI”) on the development of hydrogen-based technologies to support the transition away from carbon-based fuels. We began a new cooperative research and development agreement with Argonne National Laboratory to perform design and manufacturability optimization of our fuel flexible microturbine system ranging from 70% natural gas/30% hydrogen blends to 100% hydrogen fuel operation using computational fluid dynamics, high performance computing, and machine learning. The primary objective of this partnership is to optimize our engine design for minimizing NOx emissions while also maintaining high reliability during hydrogen operation. We intend to perform demonstration tests on a C200 system during Fiscal 2025.

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We continue support of UCI through its Advanced Power and Energy Program, which works to evaluate microturbine operation using hydrogen and other fuel blends. The testing completed in Fiscal 2023 demonstrated the outstanding performance of our patented hydrogen injector design on up to 100% hydrogen across broad operating regimes. We and UCI continue to be key partners in advancing academic research while furthering commercialization of hydrogen technology. During Fiscal 2024, we partnered with UCI and a private entity on demonstration tests of the C65 hydrogen blend technology for the purposes of generating power through recovered waste hydrogen-blend streams from microelectronics fabrication processes. Results were successful and promising with remaining work focused on optimizing NOx emissions to ultra-low levels still to be done.

UCI completed an associated gas combustion analysis in catalog Capstone products. Associated gas is represented by higher hydrocarbons, which are more challenging to maintain in a gaseous state. As more pressure is placed on flaring at oil and gas locations, the expansion of our fuel acceptability limits enables customers to have a reliable, resilient, and environmentally conscientious way of handling waste gases. The importance of our collaboration has been demonstrated in Fiscal 2023 and 2024 with our growing Energy-as-a-Service rental fleet which utilizes waste gas at expired oil and gas sites to provide high value to these power intensive operations.

We continue to comply with the most stringent grid interconnection standards worldwide. In early Fiscal 2024, we achieved certification of our C65 microturbine to the Italian CEI 0-16 standard and successfully passed FGW TR3 type testing of the C65 in support of VDE 4110 medium voltage standard compliance in Germany. The C65's VDE 4110 certification is expected to be completed during Fiscal 2025, complementing our offering for the certified C200/C1000 models. Most recently, the UL1741 SA standard was revised to UL1741 SB in coordination with the release of the latest IEEE 1547: 2018 Standard for Interconnection and Interoperability of Distributed Energy Resources with Associated Electric Power Systems Interfaces. We are making significant progress towards completing C200 model family certification mid-year 2024, which will enable all customers to produce green, reliable power while supporting the U.S. grid with high speed, power-quality enhancing functionality.

We also continue to work on cost reduction and performance enhancement activities to improve the value of our microturbine products for our customer base, and to enhance our return on investment in Energy-as-a-Service offerings. Cost reduction activities are focused on leveraging the capabilities of our supply base and internal design lean manufacturing improvements, as well as partnering with external experts to implement Design for Manufacturing and Assembly strategies in the pursuit of continuous improvement. Product enhancements are focused on reducing the already very low maintenance requirements for our products, while at the same time improving operational efficiency, thereby reducing our customers' total cost of ownership.

Because of our reliable single moving assembly, the use of Capstone turbogenerators continues to be of interest to other companies in support of concentrated solar power, biomass, steam methane reforming, and novel external combustion technologies. We work closely with these external partners in the proper integration of Capstone hardware to ensure continued performance to meet project objectives and provide alternative solutions to reducing, and in some cases eliminating, carbon emissions.

### **Protecting our Intellectual Property Rights and Patents**

We rely on a combination of patent, trade secret, copyright, "know how", and trademark laws and nondisclosure agreements to establish and protect our intellectual property rights in our products. In this regard, we have 10 U.S. active patents. The patents we have obtained will expire between calendar years 2024 and 2037. We actively evaluate our patent portfolio and pursue new patent applications as we develop new technological innovations, as needed.

We believe that a policy of protecting intellectual property is one component of our strategy of being the leader in microturbine system technology and will provide us with a long-term competitive advantage. In addition, we implement security procedures at our plants and facilities and have confidentiality agreements with our suppliers, distributors, employees, and certain visitors to our facilities.



## **Human Capital**

On December 13, 2023, in connection with Emergence, our Board of Directors (the “Board”) adopted an amended charter governing our Compensation and Human Capital Committee, after discussing the rapid movement to expand the role of our then Compensation and Human Capital Committee beyond traditional compensation related matters. In accordance with its charter, our Compensation and Human Capital Committee is responsible for reviewing, monitoring, and providing recommendations to our Board on our workplace policies and practices, including corporate culture and employee engagement, talent management and leadership development, employee diversity and inclusion, ensuring a respectful workplace free of discrimination and harassment.

### *Diversity*

We are committed to maintaining, and continuing to foster, our diverse and inclusive work environment. We recruit the best people for the job regardless of gender, ethnicity or other protected traits and it is our policy to promote inclusive, nondiscriminatory hiring and employment practices and fully comply with all laws applicable to discrimination in the workplace.

### *Workforce Statistics*

As of March 31, 2024, we had 101 full-time employees and three part-time employees. As of March 31, 2023, we had 117 full-time employees and one part-time employee. No employees are covered by collective bargaining arrangements. We consider relations with our employees to be good.

In May 2023, we implemented an expense reduction plan to align our cost structure. The cost reductions focused on non-operating, discretionary expenses and employee costs. Beginning May 12, 2023, nine employees were furloughed for a period of 180 days, the Sales Solutions Team was abandoned, and the effort in Energy Storage Products business was discontinued. Six out of nine furloughed employees were able to return to work in November 2023.

## **Corporate Information**

The Company (a/k/a NoMac Energy Systems) was organized in 1988 in the State of California and was reincorporated as Capstone Turbine Corporation on June 22, 2000 in the State of Delaware.

On April 21, 2021, Capstone Turbine Corporation filed with the Secretary of State of the State of Delaware a Certificate of Amendment of the Second Amended and Restated Certificate of Incorporation of the Company for the sole purpose of changing the Company’s name to Capstone Green Energy Corporation effective as of 12:01 a.m. Eastern Time on April 22, 2021 (the “Corporate Name Change”). In addition, Capstone Green Energy Corporation amended and restated its Fourth Amended and Restated Bylaws, effective as of April 22, 2021, solely to reflect the Corporate Name Change.

In connection with our emergence from the Chapter 11 Cases, Capstone Green Energy Corporation was reorganized pursuant to the TSA and became a private company that continues to own the Retained Assets and certain tax attributes. Capstone Turbine International, Inc., a former wholly owned subsidiary of Capstone Green Energy Corporation, which was incorporated in Delaware on June 10, 2004, became a publicly-traded company and was renamed Capstone Green Energy Holdings, Inc. In addition, Capstone Green Energy LLC was formed as a result of the Plan of Reorganization.

## **Bankruptcy, Receivership or Similar Proceeding**

See the Explanatory Note to this Annual Report on Form 10-K for a summary of the Company’s Chapter 11 Cases and the Debtors’ emergence from the Chapter 11 Cases on December 7, 2023.

## Available Information

This Form 10-K, as well as our quarterly reports on Form 10-Q, current reports on Form 8-K and exhibits and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are made available free of charge on our Internet website (<http://www.capstonegreenenergy.com>) as soon as reasonably practicable after such materials are electronically filed with or furnished to the SEC. These filings are also available on the SEC's website at [www.sec.gov](http://www.sec.gov).

## Item 1A. Risk Factors

*The following are risk factors that could affect our business, financial condition, results of operations, and cash flows. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Form 10-K because these factors could cause actual results, performance, and achievements to differ materially from those projected in forward-looking statements. Before you invest in our publicly traded securities, you should know that making such an investment involves some risks, including the risks described below. Additional risks of which we may not be aware or that we currently believe are immaterial may also impair our business operations or our stock price. If any of the risks occur, our business, financial condition, results of operations or cash flow could be negatively affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. In assessing these risks, investors should also refer to the other information contained in this Form 10-K, our quarterly reports on Form 10-Q and other documents filed by us from time to time.*

*References to impacts on the trading price of the New Common Stock (as defined below) assume that the New Common Stock will resume trading on an over-the-counter basis. As of the date of the filing of this Annual Report, no quote of the New Common Stock has been published. There can be no assurances as to when over-the-counter trading will resume. See “—There is currently no public trading market for our New Common Stock, and we cannot assure you that an active trading market will develop for the New Common Stock.”*

### **Summary of Risk Factors**

The following is a summary of the principal risks that could adversely affect our business, operations, and financial results.

- **Risks Related to Our Emergence from Chapter 11**, such as those associated with the impact of Emergence on our business relationships, our long-term liquidity requirements, our substantial indebtedness and the fact that there is currently no public trading market for the New Common Stock.
- **Risks Related to Our Corporate Structure**, such as those associated to the fact that we are a holding company with stockholders' deficiency and the significant control that holders of our Preferred Units have over our Operating Subsidiary.
- **Risks Related to Our Restatement**, such as those related to the impact of the Restatement on investor confidence and our ability to raise capital in the future, stockholder litigation, the SEC investigation and the expenses incurred related to the remediation of material weaknesses identified by management.
- **Risks Related to Our Business Operations and Financial Results**, such as those associated with our ability to fund future operating requirements, that a sustainable market for microturbines may never develop, our lengthy sales cycle, changes to trade regulations, quotas, duties or tariffs, and sanctions, relationships with our OEMs and our distributors, customer concentration risk, product liability claims, our dependence upon the continuing service of management and key employees, and our vulnerability to interruption by fire, earthquake, riots, domestic and international instability, war, terrorism, geopolitical events and other events beyond our control.
- **Risks Related to Our Product Offerings**, such as those associated with our ability to successfully commercialize our products, our ability to produce our products as scheduled and budgeted; our dependence on our suppliers; commodity market factors; and our dependence in part on the oil and natural gas industry.
- **Risks Related to Pending Litigation and Government Regulation**, such as those associated with the highly regulated business environment in which we operate and the legal proceedings in which we and certain of our current and former directors and officers are involved.

- **Risks Related to Data, Security, and Intellectual Property**, such as those associated with our ability to adequately protect our intellectual property rights and cybersecurity risks.
- **Risks Related to Ownership of Our New Common Stock**, such as those associated with the material weaknesses in internal control over financial reporting identified by management, and the likelihood that the market price of our New Common Stock will be highly volatile.

For a more complete discussion of the material risks facing our business, please see below.

***Risks Related to Our Emergence from Chapter 11***

***We emerged from bankruptcy in December 2023, which could adversely affect our business and business relationships.***

We emerged from bankruptcy on the Effective Date. It is possible that having recently emerged from the Chapter 11 Cases could adversely affect our business and relationships with vendors, suppliers, service providers, customers, employees, and other third parties. The risks we may face as a result of our recent Emergence include, but not are limited to, the following:

- vendors or other contract counterparties could terminate their relationship with us or require financial assurances or other enhanced performances;
- we may face challenges in renewing existing contracts and competing for new business;
- it may be more difficult to attract, motivate, and/or retain key executives and employees;
- employees may be distracted from the performance of their duties or more inclined to pursue other employment opportunities; and
- competitors may take business away from us, and our ability to attract and retain customers may be negatively impacted.

We cannot accurately predict or quantify the impacts or material adverse effects of the residual risk and uncertainties associated with our Emergence, or the occurrence of one or more of these risks could have on our results of operations, financial condition, business, and reputation. We cannot assure you that having recently been subject to bankruptcy protection will not adversely affect our future results of operations, financial condition, and business.

***Our long-term liquidity requirements and the adequacy of our capital resources are difficult to predict at this time.***

On March 31, 2024, we had cash of \$2.1 million and working capital deficiency of \$38.5 million. This compares to \$12.8 million and \$56.8 million, respectively, as of March 31, 2023. We face uncertainty regarding the adequacy of our long-term liquidity and capital resources. In addition to the cash requirements necessary to fund ongoing operations, we have incurred significant professional fees and other costs in connection with the preparation and administration of the Chapter 11 Cases. In addition, the Notes (as defined below) bear interest at a rate equal to the Adjusted Term SOFR (as defined in the Exit Note Purchase Agreement) plus 7.00% per annum. 100% of the interest payable under the Notes is payable in kind until December 7, 2024, after which we must start paying cash interest. We cannot assure you that cash on hand and cash flow from operating activities will be sufficient to continue to fund our operations or to pay cash interest on the Notes when due. Our liquidity, including our ability to meet our ongoing operational obligations, is dependent upon, among other things, our ability to: (i) comply with the terms and conditions of the Exit Note Purchase Agreement and associated agreements, (ii) maintain adequate cash on hand, and (iii) generate cash flow from operating activities.

***There are significant risks related to our substantial indebtedness.***

We are party to an Exit Note Purchase Agreement (the “Exit Note Purchase Agreement”), for an aggregated principal amount of \$28.0 million, including accrued and unpaid interest subject to the terms and conditions set forth in the Exit Note Purchase Agreement by and among Operating Subsidiary, as the issuer, the Guarantors, Purchaser and the Collateral Agent. The Exit Note Purchase Agreement provides for:

- (i) a roll up of the \$12.6 million DIP New Money Notes (plus any accrued unpaid interest);
- (ii) a roll up of \$8.0 million of DIP Roll Up Notes (plus any accrued unpaid interest) (collectively with the roll up of the \$12.6 million DIP New Money Notes, the “Exit Roll Up Notes”); and

(iii) an additional \$7.0 million new money committed delayed draw term loan facility (the “Exit New Money Notes” and, together with the Exit Roll Up Notes, the “Notes”).

The Exit Note Purchase Agreement also provides for a \$10.0 million uncommitted incremental facility. As of March 31, 2024, we had \$28.9 million in borrowings outstanding under the Notes, including accrued and unpaid interest. The Exit Roll Up Notes mature on December 7, 2026, and the Exit New Money Notes mature on December 7, 2025.

The Notes issued pursuant to the Exit Note Purchase Agreement are secured by a lien on substantially all of the present and future property and assets of 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. Refer to Note— 12 Debt in the Notes to Consolidated Financial Statements.

On March 27, 2024, the Company obtained a waiver from the Purchaser and the Collateral Agent in anticipation of default on March 31, 2024. The waiver granted was specific to the \$1.0 million consolidated adjusted EBITDA covenant for the measurement date of March 31, 2024, and covered the period until June 30, 2024. There can be no assurance that the Purchaser and the Collateral Agent will waive any future defaults that may occur. If future 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 our repayment obligations under the Notes. We believe it is probable the consolidated liquidity and consolidated adjusted EBITDA financial covenants discussed below will not be satisfied on September 30, 2024. We are working to secure a waiver of the covenants or an amendment to the Exit Note Purchase Agreement with the senior lender, but no assurance can be given that such a waiver or amendment will be obtained. We have the right to cure an event of default for a breach of the consolidated adjusted EBITDA covenant with a prepayment on the 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. Consequently, the Exit new money notes, net of discount were reclassified to current on the Company’s Consolidated Balance Sheet as of March 31, 2024.

Our obligations under the Exit Note Purchase Agreement have important consequences, including the following:

- We may have difficulty obtaining additional financing to meet our requirements to repay the Notes at their respective maturities on December 7, 2025 and December 7, 2026 and to meet our requirements for operations, capital expenditures, and general corporate or other purposes. There is no assurance that we will be able to repay or refinance the Notes at or prior to their respective maturity dates (or upon acceleration based upon events of default).
- The Collateral Agent has a lien on substantially all of our assets under the Exit Note Purchase Agreement, securing our obligations under the Notes, may enforce any and all liens and security interests on the collateral we have used to secure the Notes, and we may forfeit our right to such collateral. A default leading to the Purchaser and the Collateral Agent accelerating the maturity of the indebtedness under the Notes would have a material adverse effect on our business and financial condition, and, if the Purchaser and the Collateral Agent exercise their rights and remedies, we could be forced to seek bankruptcy protection again.
- We are required to dedicate a substantial portion of our cash flow to the payment of principal and, beginning in December 2024, interest on the Notes, which reduces the amount of funds available for operations, capital expenditures and future acquisitions.

***Our actual financial results after Emergence may not be comparable to our historical financial information or to our projections filed with the Bankruptcy Court.***

As a result of the implementation of the Plan and the transactions contemplated thereby, our future results of operations, financial condition, and business may not be comparable to the results of operations, financial condition, and business reflected in our historical financial statements.

In connection with the disclosure statement, we filed with the Bankruptcy Court, and the hearing to consider confirmation of the Plan, we prepared projected financial information to demonstrate the feasibility of the Plan and our

ability to continue operations upon our Emergence. Those projections were prepared solely for the purpose of bankruptcy proceedings and have not been, and will not be, updated on an ongoing basis and should not be relied upon by investors. At the time they were prepared, the projections reflected numerous assumptions concerning our anticipated future performance with respect to prevailing and anticipated market and economic conditions that were and remain beyond our control and that may not materialize. Projections are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, economic, and competitive risks, and the assumptions underlying the projections and/or valuation estimates may prove to be wrong in material respects. Actual results may vary significantly from those contemplated by the projections. As a result, investors should not rely on these projections.

***It may be difficult for us to attract and retain employees, including members of our senior management, as a result of our Emergence.***

As a result of our Emergence, it may be difficult for us to attract and retain employees, including members of senior management. A loss of key personnel or material erosion of employee morale could adversely affect our business and results of operations. Our ability to engage, motivate, and retain key employees or take other measures intended to motivate and incentivize key employees to remain with us following our Emergence may be challenging given the uncertainties currently facing our business and changes we may make to our organizational structure to adjust to changing circumstances. The loss of members of our senior management team could impair our ability to execute our strategy and implement operational initiatives, which would be likely to have a material adverse effect on our business, financial condition, and results of operations.

***There is currently no public trading market for our New Common Stock, and we cannot assure you that an active trading market will develop for the New Common Stock.***

As a result of the implementation of the Plan and the transactions contemplated thereby, the stockholders of Capstone Green Energy Corporation received their pro rata share of 18,540,877 shares of common stock of Capstone Green Energy Holdings, Inc., par value \$0.001 per share (the “New Common Stock”). There is currently no public trading market for the New Common Stock because we have not been current in our annual and quarterly reports pursuant to Section 13 and 15(d) of the Exchange Act (the “Reporting Obligations”), we have been unable to obtain a ticker symbol for the New Common Stock or to obtain quotation on any OTC Markets Group, Inc. tier. As such, the New Common Stock can only be traded between brokers and no quote is published. We will not be current on our Reporting Obligations until we file delinquent Quarterly Reports on Form 10-Q and will not become current in connection with the filing of this Annual Report. We cannot provide any assurance that over-the-counter trading will resume or that the trading volume or price will increase if over-the-counter trading does resume. Not being listed on an established securities exchange has an adverse effect on the liquidity of the New Common Stock, not only in terms of the number of shares that can be bought and sold at a given price, but also through delays in the timing of transactions and reduction in security analysts’ and the media’s coverage of our company. This may result in lower prices for the New Common Stock than might otherwise be obtained and could also result in a larger spread between the bid and asked prices for the New Common Stock.

#### ***Risks Related to our Corporate Structure***

***We are a holding company with an stockholders’ deficiency and will depend on dividends and distributions from our Operating Subsidiary to pay any dividends.***

The Company is a holding company with stockholders’ deficiency. We do not have any material assets nor conduct any business operations other than our investment in the Operating Subsidiary. Our business operations are conducted primarily out of the Operating Subsidiary and certain of its subsidiaries. As a result, in addition to the restrictions on payment of dividends that apply under the terms of our existing indebtedness and the limited liability company agreement of Operating Subsidiary (the “Operating Subsidiary LLC Agreement”), our ability to pay dividends, if any, will be dependent upon cash dividends and distributions or other transfers from the Operating Subsidiary. Payments to us from the Operating Subsidiary will be contingent upon its earnings and subject to any limitations on the ability of such entity to make payments or other distributions to us, including limitations contained in the Operating Subsidiary LLC Agreement.

***Holders of the Preferred Units can exercise significant control over our Operating Subsidiary, which could limit our ability to influence the outcome of key corporate actions of our Operating Subsidiary.***

Pursuant to the Operating Subsidiary LLC Agreement, the Operating Subsidiary may not undertake certain actions without the prior written approval of Goldman Sachs. Subject to certain exceptions, the Operating Subsidiary must not, among other things: (1) alter or change the rights, preferences or privileges of the 10,449,863 Series A Redeemable Preferred Units (the “Preferred Units”) or amend any of the Operating Subsidiary’s governing documents; (2) make any change in corporate form, including conversion to a corporation; (3) increase the authorized number of Preferred Units; (4) issue any Common Units or equivalents to any person or group of persons (other than the Company), or approve the sale by the Company of Common Units or equivalents to any person or group of persons, such that after the issuance or sale, as applicable, such person or group of persons would own an aggregate number of Common Units in excess of 25% of the actually outstanding Common Units on the date of the Operating Subsidiary LLC Agreement; (5) create any new class of units with preference over, or parity with, the Preferred Units; (6) authorize, issue or reclassify any securities issued by Operating Subsidiary, its subsidiaries and controlled affiliates (the “Restricted Entities”), other than issuances of Common Units to the Company; (7) sell, issue, sponsor, create or distribute any digital tokens, cryptocurrency or other blockchain-based assets; (8) incur new third party indebtedness exceeding \$5.0 million, other than (A) debt contemplated by the TSA, (B) lease or other obligations relating to the rental of equipment to customers or otherwise for energy-as-a-service (EaaS) business activity and (C) debt permitted under the Exit Note Purchase Agreement; (9) declare or pay distributions other than (A) for tax purposes and (B) distributions from the Operating Subsidiary’s subsidiaries or controlled affiliate to the Operating Subsidiary or its wholly owned subsidiaries; (10) effectuate any liquidation event; (11) acquire any business, ownership of any equity securities in any person other than a wholly owned subsidiary, or enter into a joint venture arrangement; (12) conduct any public offering or direct listing on a national securities exchange; (13) enter into any merger or other transaction resulting in the Operating Subsidiary’s equity interests being listed or quoted for trading on an exchange or otherwise subject to registration; (14) commence, settle, defend or make any material decisions with respect to any material settlement or litigation; (15) make any material change to the nature of the Operating Subsidiary’s Existing Business (as defined in the Operating Subsidiary LLC Agreement); or (16) enter into any affiliated party transaction except for (A) payments to holders of Common Units (including the Company) in accordance with the terms of the Services Agreement (as defined below) and (B) compensation arrangements.

In addition, pursuant to the Operating Subsidiary LLC Agreement, the Company, its subsidiaries and controlled affiliates may not, without the consent of the holders of a majority of the Preferred Units held by the Preferred Members (which, on the effective date of the Operating Subsidiary LLC Agreement is solely Capstone Distributor Support Services, Inc.), engage in any business opportunities, make any investments or enter into any transactions, including any of the foregoing which are or would reasonably be expected to be within the scope of, or would reasonably be deemed to be beneficial to, the “Existing Business” (as defined in the Operating Subsidiary LLC Agreement) of Operating Subsidiary.

Further, pursuant to the Operating Subsidiary LLC Agreement, at any time during the six-month period following the sixth anniversary of the effective date of the Operating Subsidiary LLC Agreement, the Preferred Requisite Members may elect to have all, but not less than all, of the then outstanding Preferred Units redeemed. In such event, Operating Subsidiary will redeem all, but not less than all, of the Preferred Units, except Operating Subsidiary may not make such payment if (a) such payment is prohibited by Delaware Law or (b) Operating Subsidiary is, or by such payment would be, insolvent. The aggregate price for Preferred Units will be an amount equal to the greater of (i) the \$10,449,863, plus declared but unpaid distributions, or (ii) the fair market value of the Preferred Units on an as-converted to Common Units basis at the time of such redemption.

The Preferred Member’s 37.5% equity interest in Operating Subsidiary is non-dilutable.

See “Management’s Discussion and Analysis of Financial Condition—Operating Subsidiary LLC Agreement” for a more detailed description of the terms of the Operating Subsidiary LLC Agreement and the restrictions imposed on the Company and its subsidiaries pursuant to the Operating Subsidiary LLC Agreement.

#### ***Risks Related to Our Restatement***

***We have restated our consolidated financial statements for prior annual and interim periods and have concluded two Audit Committee Investigations, has all of which have affected and may continue to affect investor confidence, our stock price, our ability to raise capital in the future, our reputation with our customers, and our ability to timely file our periodic reports with the SEC, and has resulted in stockholder litigation against certain of our current and former directors and executives and may result in additional litigation in the future.***

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We have restated our Consolidated Financial Statements for prior annual and interim periods. This Restatement was required to correct for the following: (i) the timing of revenue recognition related to bill-and-hold arrangements, including the removal of certain finance leases derived from bill-and-hold arrangements; (ii) the timing of recognizing certain expenses associated with factory protection plan contracts; and (iii) reclassification of term note payable, as well as other immaterial misstatements. Such Restatement:

- has had and may continue to have the effect of eroding investor confidence in us and our financial reporting and accounting practices and processes;
- has resulted in our failure to timely file our periodic reports with the SEC;
- has negatively impacted and may continue to negatively impact the trading of our common stock;
- has resulted in stockholder litigation against certain of our current and former directors and executives and may result in additional litigation;
- has resulted in an investigation by the SEC enforcement division;
- may make it more difficult, expensive, and time consuming for us to raise capital on acceptable terms, or at all;
- may make it more difficult for us to pursue transactions or implement business strategies that might otherwise be beneficial to our business; and
- may negatively impact our reputation with our customers.

In addition, based on information learned as part of the Restatement process, the Audit Committee commenced an investigation (the “FPP Investigation” and, together with the Revenue Recognition Investigation, the “Audit Committee Investigations”) into FPP related practices. The Audit Committee Investigations were conducted with the assistance of outside counsel retained by the Audit Committee. Through the FPP Investigation, the Audit Committee identified evidence that, at times during the fiscal years covered in this Annual Report, former senior executives delayed shipment of available parts under the FPP and delayed recording the associated expense on the Company’s financial statements. The Audit Committee Investigations found no evidence that either the Audit Committee, the full Board or current executive officers were aware of such activity. The financial statement impact of such activity in prior reporting periods, if any, has been addressed through the Company’s Restatement. As part of the Restatement process, the Company corrected its accounting treatment of sales and FPP expenses so that bill-and-hold sales are recorded when all elements for revenue recognition as a bill-and-hold sale have been met and claims under the FPP program are recorded at the time a claim is received and accepted, as opposed to when the claim is satisfied.

Refer to Note 14— Commitments and Contingencies in the Notes to Consolidated Financial Statements and to “Legal Proceedings” for information regarding legal proceedings in which we are involved.

***The SEC enforcement division is conducting an investigation into the circumstances surrounding the Restatement, the results of which may have a material adverse effect on our financial condition and business.***

Following the conclusion of each Audit Committee Investigation, the Audit Committee self-reported its findings to the Division of Enforcement of the SEC. Following the self-report, the SEC enforcement division has commenced an investigation relating to the circumstances surrounding the Restatement (the “SEC Investigation”). We are cooperating with the SEC in connection with its investigation. Investigations of this nature are inherently uncertain and their results cannot be predicted. Regardless of the outcome, the SEC Investigation has had and may continue to have an adverse impact on us because of legal costs, diversion of management resources, and other factors. The SEC Investigation could also result in reputational harm to us, which, among other things, may limit our ability to obtain new customers and enter into new agreements with our existing customers, or our ability to obtain financing, and have a material adverse effect on our current and future business, financial condition, results of operations and prospects. We cannot predict the duration or outcome of the SEC Investigation at this time.

Further, as a result of the conclusions of the Revenue Recognition Investigation and the Restatement, certain of our current and former directors and officers are currently the subject of securities class action litigation. See Note 14— Commitments and Contingencies in the Notes to Consolidated Financial Statements and “Legal Proceedings” for information about the SEC Investigation and legal proceedings involving the Company’s directors and officers.

The Restatement, as well as our reported material weaknesses in internal control over financial reporting (including the related disclosure of the Audit Committee Investigations made in this Annual Report on Form 10-K), may



subject us to additional litigation or regulatory examinations, investigations, proceedings, or orders. Our management has devoted and may be required to devote significant time and attention to these matters. If any of these or potential future matters are resolved adversely against us, there may be a material adverse effect on our business, financial condition, and results of operations. Additionally, while we cannot estimate our potential exposure to these or any potential future matters at this time, we have already expended significant resources investigating the underlying claims and addressing these matters and expect to continue to need to expend significant resources. Our insurance coverage may not be sufficient to compensate for all potential liability. Although we maintain applicable insurance, we cannot be certain that our insurance coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all.

***We have incurred and expect to continue to incur significant expenses related to remediation of material weaknesses in our internal control over financial reporting and disclosure controls and procedures, and any resulting litigation.***

We have devoted substantial internal and external resources towards the Audit Committee Investigations and the Restatement and expect to continue to devote substantial such resources towards the implementation of enhanced procedures and controls over material weaknesses that resulted in the Restatement and the remediation of other deficiencies in our internal control over financial reporting. Because of these efforts, we have incurred and expect that we will continue to incur significant fees and expenses for legal, accounting, financial, and other consulting and professional services, as well as the implementation and maintenance of systems and processes that will need to be updated, supplemented, or replaced. We have made a number of remediation efforts in response to the Audit Committee Investigations. However, there can be no assurance that these steps will be successful. To the extent these steps are unsuccessful or incomplete, or we identify additional problems requiring remediation, we may be required to devote significant additional management time and incur significant additional expense. The incurring of significant additional expense or the requirement that management devotes substantial time that could reduce the time available to execute on our business strategies, could have a material adverse effect on our business, financial condition, and results of operations.

***Our failure to prepare and timely file our periodic reports with the SEC limits our access to the public markets to raise debt or equity capital.***

The Annual Report on Form 10-K for the year ended March 31, 2023 was filed nearly one year after its due date and our Quarterly Reports on Form 10-Q for the first three quarters of Fiscal 2024 and this Annual Report on Form 10-K were also not timely filed. Because these filings have not been made within the timeframes required by SEC rules, we have not remained current in our reporting requirements with the SEC, and we will not be eligible to use a registration statement on Form S-3 that would allow us to continuously incorporate by reference our SEC reports into the registration statement, or to use “shelf” registration statements to conduct offerings, until approximately one year from the date we regain and maintain status as a current filer. To pursue an offering now, we are required to conduct the offering on an exempt basis, such as in accordance with Rule 144A, or file a registration statement on Form S-1. Using a Form S-1 registration statement for a public offering would likely take significantly longer than using a registration statement on Form S-3 and increase our transaction costs, and could, to the extent we are not able to conduct offerings using alternative methods, adversely impact our ability to raise capital or complete acquisitions of other companies in a timely manner.

#### ***Risks Related to Our Business Operations and Financial Results***

***We are exposed to floating interest rate risk under the Exit Note Purchase Agreement, which could cause our debt service obligations to increase significantly.***

We are exposed to market risk from changes in interest rates. All outstanding Notes bear interest at the Adjusted Term SOFR rate plus 7.00% per annum. The Adjusted Term SOFR rate is a floating rate. The Federal Reserve has raised, and may in the future further raise, interest rates to combat the effects of recent high inflation. Any further increase in Adjusted Term SOFR will increase the Company’s debt service obligations, which could have a negative impact on the Company’s cash flow, financial position or operating results, including cash available for servicing the Company’s indebtedness, or result in increased borrowing costs in the future.

***Regional epidemics or global pandemics may materially and adversely affect our business, financial condition and results of operations.***



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The occurrence of regional epidemics or a global pandemic may adversely affect our business, financial condition and results of operations. For example, the COVID-19 pandemic has and could continue to materially and adversely affect our business, financial condition and results of operations.

The COVID-19 pandemic has also caused significant uncertainty and volatility in global financial markets. Our liquidity has been negatively impacted due, in part, to such effects. Further, our ability to raise additional capital has also been impacted by the COVID-19 pandemic and the resulting macroeconomic effects. Further adverse economic events resulting from the COVID-19 pandemic, including sustained economic downturn, supply chain disruptions, or increasing cost pressures, could materially and adversely affect our business, access to capital markets and the value of our common stock.

***A sustainable market for microturbines may never develop or may take longer to develop than we anticipate, which would adversely affect our results of operations.***

Our products represent an alternative technology, and we do not know whether our targeted customers will accept our technology or will purchase our products in sufficient quantities to allow our business to grow. To succeed, demand for our products must increase significantly in existing markets, and there must be strong demand for products that we introduce in the future. In addition, as part of our business strategy, we are focusing our marketing efforts on expanding our Energy as a Service business and on the energy efficiency, renewable energy, and natural resources markets. We may be unable to grow our business in these target markets. If a sustainable market fails to develop or develops more slowly than we anticipate, we may be unable to recover the losses we have incurred to develop our products, we may have further impairment of assets, and we may be unable to meet our operational expenses. The development of a sustainable market for our systems may be hindered by many factors, including some that are out of our control. Examples include:

- consumer reluctance to try a new product;
- regulatory requirements;
- the cost competitiveness of our microturbines;
- costs associated with the installation and commissioning of our microturbines;
- maintenance and repair costs associated with our microturbines;
- the future costs and availability of fuels used by our microturbines;
- consumer perceptions of our microturbines' safety and quality;
- the emergence of newer, more competitive technologies and products;
- growth of the hybrid electric vehicle market; and
- decreases in domestic and international incentives.

***Product quality expectations may not be met, causing slower market acceptance or warranty cost exposure.***

In order to achieve our goal of improving the quality and lowering the total costs of ownership of our products, we may require engineering changes. Such improvement initiatives may render existing inventories obsolete or excessive. Despite our continuous quality improvement initiatives, we may not meet customer expectations. Any significant quality issues with our products could have a material adverse effect on our rate of product adoption, results of operations, financial condition, and cash flow. Moreover, as we develop new configurations for our microturbines and as our customers place existing configurations in commercial use, our products may perform below expectations. Any significant performance below expectations could adversely affect our operating results, financial condition and cash flow and affect the marketability of our products.

We sell our products with warranties. There can be no assurance that the provision for estimated product warranty will be sufficient to cover our warranty expenses in the future. We cannot ensure that our efforts to reduce our risk through warranty disclaimers will effectively limit our liability. Any significant incurrence of warranty expense in excess of estimates could have a material adverse effect on our operating results, financial condition and cash flow. Further, we have at times undertaken programs to enhance the performance of units previously sold. As of March 31, 2024, the balance for the warranty reserve was \$1.4 million. Any future product quality issues with our parts suppliers could lead to lengthy and costly litigation, even if the outcome is ultimately in our favor. In addition, such quality issues with any of our parts could lead us to fail to meet the product quality expectations of our own customers, which could adversely affect our operating results, financial condition and cash flow and affect the marketability of our products.

***Our products involve a lengthy sales cycle, and we may not anticipate sales levels appropriately, which could impair our results of operations.***

The sale of our products typically involves a significant commitment of capital by customers, which can result in the typical delays associated with large capital expenditures. For these and other reasons, the sales cycle associated with our products is typically lengthy and subject to several significant risks over which we have little or no control. We plan our production and inventory levels based on internal forecasts of customer demand, which is highly unpredictable and can fluctuate substantially. If sales in any period fall significantly below anticipated levels, our financial condition, results of operations, and cash flow would suffer. If demand in any period increases well above anticipated levels, we may have difficulties in responding, incur greater costs to respond, or be unable to fulfill the demand in sufficient time to retain the order, which would negatively impact our operations. In addition, our operating expenses are based on anticipated sales levels, and a high percentage of our expenses are generally fixed in the short term. As a result of these factors, a small fluctuation in timing of sales can cause operating results to vary materially from period to period.

Net product orders for Fiscal 2024 were \$20.1 million and contributed to an ending backlog of \$14.2 million at March 31, 2024. The book-to-bill ratio was 0.4:1 for Fiscal 2024. Book-to-bill ratio is the ratio of new orders we received to units shipped and billed during a period. However, because our backlog represents only the estimated amount of future product revenue to be recognized under negotiated contracts as shipments convert backlog to recognized revenue for accounting purposes, we may not be able to fully realize the revenue value reported in our backlog, and our backlog may not be indicative of future revenues. A portion of our backlog is concentrated in the international oil and gas market which may impact the overall timing of shipments or the conversion of backlog to revenue. The timing of the backlog is based on the requirement date indicated by our customers. Based on historical experience, management expects that a significant portion of our backlog may not be shipped within the next 18 months. 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 in our control and can affect the timing of our revenue. As a result, management believes the book-to-bill ratio better demonstrates the current demand for our products in the given period.

***If we do not effectively implement our sales, marketing, and service plans, our sales will not grow and our results of operations will suffer.***

Our sales and marketing efforts may not achieve intended results and, therefore, may not generate the revenue we anticipate. As a result of our corporate strategies, we have decided to focus our resources on expanding our Energy as a Service business and further developing selected vertical markets. We may change our focus to other markets or applications in the future. There can be no assurance that our focus or our near-term plans will be successful. If we are not able to address markets for our products successfully, we may not be able to grow our business, compete effectively or achieve profitability.

***Changes to trade regulations, quotas, duties or tariffs, and sanctions caused by the changing U.S. and geopolitical environments or otherwise, may increase our costs or limit the amount of raw materials and products that we can import or may otherwise adversely impact our business.***

The former U.S. administration voiced strong concerns about imports from countries that it perceived as engaging in unfair trade practices. Any current or future U.S. administration may decide to impose import duties or other restrictions on products, components, or raw materials sourced from those countries, which may include China, Mexico, and other countries from which we import components or raw materials. Any such duties or restrictions could have a material adverse effect on our business, results of operations or financial condition.

Moreover, any new tariffs, or other changes in U.S. trade policy, could trigger retaliatory actions by affected countries. Certain foreign governments have instituted or are considering imposing trade sanctions on certain U.S. goods. Others are considering the imposition of sanctions that will deny U.S. companies access to critical raw materials. A “trade war” of this nature or other governmental action related to tariffs or international trade agreements or policies has the potential to adversely impact demand for our products, our costs, customers, suppliers and/or the U.S. economy or certain sectors thereof and, thus, to adversely impact our business.

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The U.S. government imposes sanctions through executive orders restricting U.S. companies from conducting business activities with specified individuals and companies, and requires export licenses for certain of such activities. Following Russia's military invasion of Ukraine in March 2022, we re-evaluated our efforts in the Russian and the surrounding CIS markets and have ceased exploring growth opportunities in such markets. We do, however, continue to evaluate customer orders and ensure that we are in compliance with all laws and regulations upon acceptance and before shipment. If we are unable to conduct business with new or existing customers or pursue opportunities with sanctioned countries, including Russia, our business, including our revenue, profitability, and cash flows, could be materially adversely affected.

The Israeli invasion of Gaza has caused division among world leaders. Actions could be imposed against the United States for its support of Israel. This could impact business activity and our ability to source parts and components and sell our products internationally.

***We may not be able to retain or develop relationships with OEMs or distributors in our targeted markets, in which case our sales would not increase as expected.***

In order to serve certain of our targeted markets, we believe that we must ally ourselves with companies that have particular expertise or better access to those markets. We believe that retaining or developing relationships with strong OEMs (which to date have typically resold our products under their own brands or packaged our products with other products as part of an integrated unit) or distributors in these targeted markets can improve the rate of adoption as well as reduce the direct financial burden of introducing a new technology and creating a new market. Our relationships with distributors have come under strain due to our efforts in Fiscal 2024 to collect on our accounts receivables and increase prices. Because of OEMs' and distributors' relationships in their respective markets, the loss of an OEM or distributor could adversely impact our ability to penetrate our target markets. We offer our OEMs and distributors stated discounts from the list price of the products they purchase. In the future, to attract and retain OEMs and distributors we may provide volume price discounts or otherwise incur significant costs that may reduce the potential revenue from these relationships. We may not be able to retain or develop appropriate OEMs and distributors on a timely basis, and we cannot provide assurance that the OEMs and distributors will focus adequate resources on selling our products or will be successful in selling them. In addition, some of the relationships may require that we grant exclusive distribution rights in defined territories. These exclusive distribution arrangements could result in our being unable to enter into other arrangements at a time when the OEM or distributor with whom we form a relationship is not successful in selling our products or has reduced its commitment to market our products. We cannot provide assurance that we will be able to negotiate collaborative relationships on favorable terms or at all. Our inability to have appropriate distribution in our target markets may adversely affect our financial condition, results of operations and cash flow.

***If any of our distributor relationships are not successful, we may terminate or choose not to renew the related distributor agreement, which may result in interference with the wind down of the relationship or the transition of end-user service agreements and could potentially negatively impact our distribution channels or result in litigation costs or other expenses.***

Successfully managing our distribution channels in an effort to reach various potential customer segments for our products and services is a complex process. Each of our distributors is a strategically placed independent partner that provides for the marketing and selling of our products and services on our behalf. If our distribution relationships are not successful, we may lose sales opportunities, customers, and revenues. Our agreements with our distribution partners require them to comply with performance conditions that are subject to interpretation, which could result in disagreements. At any given time, we may be in disputes with one or more distribution partners. See Note 14— Commitments and Contingencies in the Notes to Consolidated Financial Statements and “Legal Proceedings” for information about the Company's legal proceedings with Cal Microturbine. Any such dispute could result in lengthy and costly litigation, even if the outcome is ultimately in our favor. We cannot predict the outcome of any arbitration or litigation, the effect of any negative judgment against us or the amount of any settlement that we may enter into with such distribution partners. A contractual dispute with a distribution partner may result in our or our distribution partner seeking to terminate the related distribution agreement, even if such termination would be wrongful, which could harm our business or interfere with a previously agreed wind down of the relationship or transition of end-user service agreements. Any prolonged disruptions of our distribution channels that results from the termination of one or more of our distributions or our failure to renew our

distribution agreements with our desired distributors, could negatively affect our ability to effectively sell our products and would materially and adversely affect our business, financial condition, results of operations and prospects.

***Increased credit loss expense or delays in collecting accounts receivable could have a material adverse effect on our cash flows and results of operations.***

Our accounts receivable balance, net of allowances, was \$6.6 million and \$7.1 million as of March 31, 2024 and 2023, respectively. Our days sales outstanding (“DSO”) in accounts receivable at the end of Fiscal 2024 was 27 days, compared with 46 days at the end of Fiscal 2023. We recorded net credit loss expense of approximately \$0.4 million and \$4.3 million during Fiscal 2024 and 2023, respectively. No assurances can be given that future credit loss expense will not increase above current operating levels. Increased credit loss expense or delays in collecting accounts receivable could have a material adverse effect on results of operations and cash flows.

***Loss of a significant customer could have a material adverse effect on our results of operations.***

Cal Microturbine and E-Finity accounted for approximately 16% and 13%, respectively, of our revenue for Fiscal 2024. Additionally, Supernova and CES accounted for 14% and 11%, respectively, of net accounts receivable as of March 31, 2024. The loss of Cal Microturbine, E-Finity, or any other significant customer could have a material adverse effect on our results of operations and financial condition.

***We may not achieve production cost reductions necessary to competitively price our products, which would adversely affect our sales.***

We believe that we will need to reduce the unit production cost of our products over time to maintain our ability to offer competitively priced products. Our ability to achieve cost reductions will depend on our ability to develop low-cost design enhancements, to obtain necessary tooling and favorable supplier contracts and to increase sales volumes so we can achieve economies of scale. We cannot provide assurance that we will be able to achieve any such production cost reductions. In fact, we have implemented three price increases in the past eighteen months in reaction to increased costs. Our failure to achieve such cost reductions could have a material adverse effect on our business and results of operations.

***We may incur costs and liabilities as a result of product liability claims.***

We face a risk of exposure to product liability claims in the event that the use of our products is alleged to have resulted in injury or other damage. Although we currently maintain product liability insurance coverage, we may not be able to obtain such insurance on acceptable terms in the future, if at all, or obtain insurance that will provide adequate coverage against potential claims. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for long periods of time, regardless of the ultimate outcome. A significant unsuccessful product liability defense could have a material adverse effect on our financial condition and results of operations. In addition, we believe our business depends on the strong brand reputation we have developed. If our reputation is damaged, we may face difficulty in maintaining our market share and pricing with respect to some of our products, which could reduce our sales and profitability.

***Operational restructuring may result in asset impairment or other unanticipated charges.***

As a result of our corporate strategy, we have identified opportunities to outsource to third-party suppliers certain functions which we currently perform. We believe outsourcing can reduce product costs, improve product quality, and increase operating efficiency. These actions may not yield the expected results, and outsourcing may result in production delays or lower-quality products. Transitioning to outsourcing may cause certain of our affected employees to leave before the outsourcing is complete. This could result in a lack of the experienced in-house talent necessary to successfully implement the outsourcing. Further, depending on the nature of operations outsourced and the structure of agreements we reach with suppliers to perform these functions, we may experience impairment in the value of manufacturing assets related to the outsourced functions or other unanticipated charges, which could have a material adverse effect on our operating results.

***We may not be able to manage our growth effectively, expand our production capabilities or improve our operational, financial and management information systems, which would impair our results of operations.***

If we are successful in executing our business plan, we will experience growth in our business that could place a significant strain on our business operations, management, and other resources. Our ability to manage our growth will require us to expand our production capabilities, continue to improve our operational, financial and management information systems, and to motivate and effectively manage our employees. We cannot provide assurance that our systems, procedures and controls, or financial resources will be adequate, or that our management will keep pace with this growth. We cannot provide assurance that our management will be able to manage this growth effectively.

***Our success depends in significant part upon the continuing service of management and key employees, and several key management and other employees have recently left Capstone.***

Our success depends in significant part upon the continuing service of our executive officers, senior management, and sales and technical personnel. The failure of our personnel to execute our strategy or our failure to retain management and personnel could have a material adverse effect on our business. In May 2023, we implemented an expense reduction plan, which included furloughs to employees. We also recently suffered departures of other key personnel, including in accounting/finance and information technology. In August 2023, Darren Jamison, our long time President and Chief Executive Officer, resigned from his positions with the Company. Robert Flexon, Chair of our Board, served as our Interim President and Chief Executive Officer from August 2023 until March 2024, when Vincent Canino succeeded him as President and Chief Executive Officer. Our Chief Financial Officer, John Juric, joined the Company in March 2023 following the departure of the Company's Interim Chief Financial Officer, Scott Robinson. These departures have placed additional strain on our remaining personnel, and we do not expect to replace all of the departed employees, so the increased burdens on the remaining personnel are expected to continue for the foreseeable future. Accordingly, our recent losses of key employees could adversely impact our business, financial condition, and results of operations. In addition, if we are unable to successfully integrate the new members of management, including the new Chief Executive Officer, into our leadership team, our operations and financial condition may be adversely affected.

Our success, growth prospects, and ability to capitalize on market opportunities also depend to a significant extent on our ability to identify, hire, motivate, and retain qualified managerial personnel, including senior members of management. There can be no assurances that we can do so. Our growth may be constrained by resource limitations as competitors and customers compete for increasingly scarce human capital resources. The demand for skilled workers is currently high. We face an increasingly competitive labor market due to sustained labor shortages and are subject to inflationary pressures on employee wages and salaries which may increase labor costs. In addition, we have already experienced involuntary turnover due to increased commuting costs for our employees. Our competitors may be able to offer a work environment with higher compensation or more opportunities than we can. If we are unable to attract and retain a sufficient number of skilled personnel, our ability to successfully implement our business plan, grow our Company and maintain or expand our product offerings may be adversely affected, and the costs of doing so may increase, which may adversely impact our business, financial condition, and results of operations.

In addition, our internal control systems rely on employees trained in the execution of the controls, particularly within our financial and accounting function. Loss of these employees or our inability to replace them with similarly skilled and trained individuals or new processes in a timely manner could adversely impact our internal control mechanisms further. See “—Our management has identified material weaknesses in its internal control over financial reporting and we determined that our disclosure controls and procedures were ineffective as of March 31, 2024. If we fail to remediate the material weaknesses or if we otherwise fail to establish and maintain effective control over financial reporting, our ability to accurately and timely report our financial results may be affected, and such failure may adversely affect investor confidence and business operations” for a discussion of the material weaknesses in the Company's internal control over financial reporting.

***Our operations are vulnerable to interruption by fire, earthquake, riots, domestic and international instability, war, terrorism, geopolitical events and other events beyond our control.***

Our operations are vulnerable to interruption by fire, earthquake, riots, domestic and international instability, war, terrorism, geopolitical events and other events beyond our control. Our executive offices, manufacturing facility, and

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auxiliary inventory storage facility are located in Southern California. Because the Southern California area is located in an earthquake-sensitive area and because we have no redundancy facility located within or outside of Southern California, we are particularly susceptible to the risk of damage to, or total destruction of, our facilities in Southern California and the surrounding transportation infrastructure, which could affect our ability to make and transport our products. While we take steps to mitigate the impact of severe weather and environmental and natural disasters, the frequency and severity of which may be impacted by climate change and other natural and manmade events, such events could result in severe disruption to our business operations at these facilities. The combination of high inflation, illegal immigration, the cost of living, and reduced spending on law enforcement in and around our location in Southern California poses an elevated risk of social disturbances and riots.

If an earthquake, fire, or other man-made or natural disaster occurs at or near our facilities, our business, financial condition, operating results and cash flow could be materially adversely affected.

Domestic and international political and economic instability or volatility, geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war, public corruption, expropriation and other economic or political uncertainties could interrupt and negatively affect the performance of our services, sale of our products or other business operations. See “—Changes to trade regulations, quotas, duties or tariffs, and sanctions caused by the changing U.S. and geopolitical environments or otherwise, may increase our costs or limit the amount of raw materials and products that we can import or may otherwise adversely impact our business” for a discussion of the impact of Russia’s military invasion of Ukraine on our business and results of operations. A slowdown in economic growth in some emerging markets could result in long sales cycles, greater risk of uncollectible accounts and longer collection cycles. Fluctuations or devaluations in currency values, especially in emerging markets, could have an adverse effect on us, our suppliers, logistics providers and manufacturing vendors. All of these factors could result in increased costs or decreased revenues, and could materially and adversely affect our product sales, financial condition and results of operations.

***Activities necessary to integrate any future acquisitions may result in costs in excess of current expectations or be less successful than anticipated.***

We may acquire other businesses in the future, and the success of these transactions will depend on, among other things, our ability to develop productive relationships with the corresponding distributors and to integrate assets and personnel, if any, acquired in these transactions and to apply our internal controls processes to these acquired businesses. Future acquisitions may require us to raise financing, including by issuing common stock that would dilute our current stockholders’ percentage ownership, assume or otherwise be subject to liabilities of an acquired company, record goodwill and non-amortizable intangible assets that will be subject to impairment testing on a regular basis and potential periodic impairment charges, incur amortization expenses related to certain intangible assets, incur large acquisition and integration costs, immediate write-offs, and restructuring and other related expenses, and become subject to litigation. The benefits of an acquisition may also take considerable time to develop, and we cannot be certain that any particular acquisition will produce the intended benefits in a timely manner or to the extent anticipated, or at all. We may experience difficulties integrating the operations, technologies, products, and personnel of an acquired company or be subjected to liability for the target’s pre-acquisition activities or operations as a successor in interest. Such integration may divert management’s attention from the normal daily operations of our business. Future acquisitions may also expose us to potential risks, including risks associated with entering markets in which we have no or limited prior experience, especially when competitors in such markets have stronger market positions, the possibility of insufficient revenues to offset the expenses we incur in connection with an acquisition and the potential loss of, or harm to, our relationships with employees, customers, consumers and suppliers as a result of integration of new businesses. If we are unable to fully benefit from anticipated synergies, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

***We may be adversely impacted by the effects of climate change and may incur increased costs and experience other impacts due to new or more stringent greenhouse gas regulations designed to address climate change.***

The scientific consensus indicates that emissions of greenhouse gases (“GHG”) continue to alter the composition of Earth’s atmosphere in ways that are affecting, and are expected to continue to affect, the global climate. The potential impacts of climate change on our customers, product offerings, operations, facilities, and suppliers are accelerating and uncertain, as they will be particular to local and customer-specific circumstances. These potential impacts may include,

among other items, physical long-term changes in freshwater availability and the frequency and severity of weather events as well as customer product changes either through preference or regulation.

Concerns regarding climate change may lead to additional international, national, regional and local legislative and regulatory responses. Various stakeholders, including legislators and regulators, shareholders, and non-governmental organizations, are continuing to look for ways to reduce GHG emissions. Increased input costs, such as fuel, utility, transportation, and compliance-related costs, could increase our operating costs.

On October 7, 2023, California Governor Gavin Newsom signed three landmark climate disclosure bills that are more stringent than the recently enacted SEC rules. California's group of new laws address (i) GHG emissions reporting in compliance with the Greenhouse Gas Protocol (GHG Protocol), (ii) climate-related financial risk reporting in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and (iii) disclosure of information about certain emissions claims and the sale and use of carbon offsets. Although the SEC's climate disclosure proposal includes GHG Protocol and TCFD requirements, unlike the SEC's proposed rule, the California requirements apply to certain private and public companies with business activities in California. AB 1305 addresses voluntary carbon market disclosures. It applies to entities that (i) operate and make emissions claims within California; or (ii) buy or sell carbon offsets within California. SB 253 is the Climate Corporate Data Accountability Act. It applies only to business entities with annual revenue over \$1 billion that do business in California. It requires disclosure of scope 1, scope 2, and scope 3 GHG emissions. Annual reporting of scope 1 and scope 2 GHG emissions will be required for covered entities beginning in 2026 (for the 2025 fiscal year). Annual reporting of scope 3 GHG emissions will be required beginning in 2027. SB 261 addresses climate-related financial risks of greenhouse gases. It applies to business entities that do business in California if their annual revenue exceeds \$500 million. Disclosure will be required on or before January 1, 2026 and biennially thereafter.

While we aim to position ourselves as a solution for climate change-related issues to our customers, there are other solutions in the market that may be cheaper or better suited to our customers' needs, and we may not be able to capitalize on the move towards renewable energy.

As the impact of any future GHG legislative or regulatory requirements on our global businesses and products is dependent on the timing, scope, and design of the mandates or standards, we are currently unable to predict their potential impact, which could have a material adverse effect on our results of operations, financial condition and cash flows.

#### ***Risks Related to Our Product Offerings***

##### ***We depend upon the development of new products and enhancements of existing products.***

Our operating results depend on our ability to develop and introduce new products, enhance existing products, and reduce the costs to produce our products. The success of our products is dependent on several factors, including proper product definition, product cost, timely completion and introduction of products, differentiation of products from those of our competitors, meeting changing customer requirements, emerging industry standards, and market acceptance of our products. The development of new, technologically advanced products and enhancements is a complex and uncertain process requiring high levels of innovation, as well as the accurate anticipation of technological and market trends. There can be no assurance that we will successfully identify new product opportunities, develop and bring new or enhanced products to market in a timely manner, successfully lower costs and achieve market acceptance of our products, or that products and technologies developed by others will not render our products or technologies obsolete or uncompetitive. We continued to expand and develop our new hydrogen products during Fiscal 2024, which are commercially available running on a 30% hydrogen – 70% natural gas mix. Continued development towards a 100% hydrogen product will require a long-time horizon and a significant amount of financial resources. We do not currently have and there can be no assurance that we will develop the resources or financial ability to develop a 100% hydrogen product.

***Our operating results are dependent, in large part, upon the successful commercialization of our products. Failure to produce our products as scheduled and budgeted could materially and adversely affect our business and financial condition.***



We cannot be certain that we will deliver ordered products in a timely manner. We have limited production slots for our products. Any delays in production will increase our costs, reduce future production slots, and could significantly impact our business, financial condition, and operating results.

***We may not be able to produce our products on a timely basis if we fail to correctly anticipate product supply requirements or if we suffer delays in production resulting from issues with our suppliers. Our suppliers may not supply us with a sufficient amount of components or components of adequate quality, or they may provide components at significantly increased prices.***

Some of our components are currently available only from a single source or limited sources. We may experience delays in production if we fail to identify alternative suppliers or if any parts supply is interrupted, each of which could materially adversely affect our business and operations. In order to reduce manufacturing lead times and ensure adequate component supply, we enter into agreements with certain suppliers that allow them to procure inventories based upon criteria defined by us. If we fail to anticipate customer demand properly, an oversupply of parts could result in excess or obsolete inventories, which could adversely affect our business. Additionally, if we fail to correctly anticipate our internal supply requirements, an undersupply of parts could limit our production capacity. Our inability to meet volume commitments with suppliers could affect the availability or pricing of our parts and components. A reduction or interruption in supply, a significant increase in the price of one or more components, or a decrease in demand of our products could materially adversely affect our business and operations and could materially damage our customer relationships. Financial problems of suppliers on whom we rely could limit our supply of components or increase our costs. Also, we cannot guarantee that any of the parts or components that we purchase will be of adequate quality or that the prices we pay for the parts or components will not increase. Inadequate quality of products from suppliers could interrupt our ability to supply quality products to our customers in a timely manner. Additionally, defects in materials or products supplied by our suppliers that are not identified before our products are placed in service by our customers could result in higher warranty costs and damage to our reputation. We also outsource certain of our components internationally. As a result of outsourcing internationally, we may be subject to delays in delivery because of regulations associated with the import/export process, delays in transportation or regional instability.

***Commodity market factors impact our costs and availability of materials.***

Our products contain a number of commodity materials from metals, which include steel, special high temperature alloys, copper, nickel, and molybdenum, to computer components. The availability of these commodities could impact our ability to acquire the materials necessary to meet our production requirements. The cost of metals has historically fluctuated. The pricing could impact the costs to manufacture our products. During Fiscal 2024 and 2023, we saw significant price increases in the cost of our commodity materials. If we are not able to acquire commodity materials at prices and on terms satisfactory to us or at all, our operating results may be materially adversely affected.

***We operate in a highly competitive market among competitors that have significantly greater resources than we have, and we may not be able to compete effectively.***

We compete with several technologies, including reciprocating engines, fuel cells, and solar power. Competing technologies may receive certain benefits, like governmental subsidies or promotion, or be able to offer consumer rebates or other incentives that we cannot receive or offer to the same extent. This could enhance our competitors' abilities to fund research, penetrate markets, or increase sales. We also compete with other manufacturers of microturbines.

Our competitors include several well-known companies with histories of providing power solutions. They have substantially greater resources than we do and have established worldwide presence. Because of greater resources, some of our competitors may be able to adapt more quickly to new or emerging technologies, including artificial intelligence, and changes in customer requirements, to devote greater resources to the promotion and sale of their products than we can or lobby for governmental regulations and policies to create competitive advantages vis-à-vis our products. We believe that developing and maintaining a competitive advantage will require continued investment by us in product development and quality, as well as attention to product performance, our product prices, our conformance to industry standards, manufacturing capability, and sales and marketing. In addition, current and potential competitors have established or may in the future establish collaborative relationships among themselves or with third parties, including third parties with whom



we have business relationships. Accordingly, new competitors or alliances may emerge and rapidly acquire significant market share.

Overall, the market for our products is highly competitive and changing rapidly. We believe that the primary competitive factors affecting the market for our products, including some that are outside of our control, include, but are not limited to:

- name recognition, historical performance and market power of our competitors;
- product quality and performance;
- operating efficiency;
- product price;
- availability, price and compatibility of fuel;
- development of new products and features; and
- emissions levels.

There is no assurance that we will be able to successfully compete against either current or potential competitors or that competition will not have a material adverse effect on our business, operating results, financial condition, and cash flow.

***Our business and financial performance depends in part on the oil and natural gas industry, where a continued movement towards clean energy and away from fossil fuels, as well as fluctuations in prices for oil and natural gas, may have an adverse effect on our revenue, cash flows, profitability, and growth.***

Revenue in the oil and natural gas industry has been in decline for several years from historical highs, due to volatility in oil prices, as well as a movement towards clean energy and away from fossil fuels, which has impacted capital expenditures in the oil and natural gas industry. We continue to be impacted by the volatility of the global oil and gas industry. If prices were to decline and remain low for a sustained period, we would expect to see additional declines in our customers' spending, which would have an adverse effect on our revenue. In addition, a worsening of these conditions may have a material adverse impact on certain of our customers' liquidity and financial positions, resulting in further spending reductions, delays in the collection of amounts owing to us, and other similar adverse effects. Despite a recent increase in oil prices, we have not yet seen a corresponding significant increase in sales activity, primarily due to the customers in our natural resources market vertical not yet increasing their spend on capital expenditures that would include our microturbine products.

***Our sales and results of operations could be materially and adversely impacted by risks inherent in international markets.***

As we expand in international markets, customers may have difficulty or be unable to integrate our products into their existing systems or may have difficulty complying with foreign regulatory and commercial requirements. As a result, our products may require redesign. Any redesign of our products may delay sales or cause quality issues. In addition, we may be subject to a variety of other risks associated with international business, including import/export restrictions, fluctuations in currency exchange rates and economic or political instability. Our business in particular is also subject to risks relating to the uncertainties and effects of the implementation of the United Kingdom's withdrawal of membership from the EU (referred to as "Brexit"), including financial, legal, tax, and trade implications. In addition, doing business internationally subjects us to risks relating to political or social unrest, as well as corruption and government regulation, including laws such as the Foreign Corrupt Practices Act and the U.K. Bribery Act, that impose stringent requirements on how we conduct our foreign operations.

***We may not be able to develop sufficiently trained applications engineering, installation, and service support to serve our targeted markets.***

Our ability to identify and develop business relationships with companies that can provide quality, cost-effective application engineering, installation, and service can significantly affect our success. The application engineering and proper installation of our microturbines, as well as proper maintenance and service, are critical to the performance of the units. Additionally, we need to reduce the total installed cost of our microturbines to enhance market opportunities. Our

inability to improve the quality of applications, installation and service while reducing associated costs could affect the marketability of our products.

***Changes in our product components may require us to replace parts held at distributors.***

We have entered into agreements with some of our distributors requiring that if we render parts obsolete in inventories they own and hold in support of their obligations to serve fielded microturbines, we are required to replace the affected stock at no cost to the distributors. As a result, it is possible that future changes in our product technology could involve costs that have a material adverse effect on our results of operations, cash flow or financial position.

***Utility companies or governmental entities could place barriers to our entry into the marketplace, and we may not be able to effectively sell our products.***

Utility companies or governmental entities could place barriers on the installation of our products or the interconnection of our products with the electric grid. Further, they may charge additional fees to customers who install on-site generation or have the capacity to use power from the grid for back-up or standby purposes. These types of restrictions, fees or charges could hamper the ability to install or effectively use our products or increase the cost to our potential customers for using our systems. This could make our systems less desirable, thereby adversely affecting our revenue and other operating results. In addition, utility rate reductions can make our products less competitive, which would have a material adverse effect on our operations. The cost of electric power generation bears a close relationship to natural gas and other fuels. However, changes to electric utility tariffs often require lengthy regulatory approval and include a mix of fuel types as well as customer categories. Potential customers may perceive the resulting swings in natural gas and electric pricing as an increased risk of investing in on-site generation.

***Risks Related to Pending Litigation and Government Regulation***

***We operate in a highly regulated business environment, and changes in regulation could impose significant costs on us or make our products less economical, thereby affecting demand for our microturbines.***

Our products are subject to federal, state, local, and foreign laws and regulations, governing, among other things, emissions and occupational health and safety. Regulatory agencies may impose special requirements for the implementation and operation of our products or that may significantly affect or even eliminate some of our target markets. We may incur material costs or liabilities in complying with government regulations. In addition, potentially significant expenditures could be required in order to comply with evolving environmental and health and safety laws, regulations, requirements, and approvals that may be adopted or imposed in the future. We can provide no assurances that we will be able to obtain any such approvals in a timely manner, or at all. Non-compliance with applicable regulations could have a material adverse effect on our operating results. Furthermore, our potential utility customers must comply with numerous laws and regulations. The deregulation of the utility industry may also create challenges for our marketing efforts. For example, as part of electric utility deregulation, federal, state, and local governmental authorities may impose transitional charges or exit fees, which would make it less economical for some potential customers to switch to our products.

The market for electricity and generation products is heavily influenced by federal and state government regulations and policies. The deregulation and restructuring of the electric industry in the United States and elsewhere may cause rule changes that may reduce or eliminate some of the advantages of such deregulation and restructuring. We cannot determine how any deregulation or restructuring of the electric utility industry may ultimately affect the market for our microturbines. Changes in regulatory standards or policies could reduce the level of investment in the research and development of alternative power sources, including microturbines. Any reduction or termination of such programs could increase the cost to our potential customers, making our systems less desirable, and thereby adversely affect our revenue and other operating results.

***We and certain of our current and former directors and officers are subject to various legal proceedings.***

We are currently involved in the SEC Investigation and certain of our current and former directors and officers are involved in stockholder litigation related to our Restatement, and we and our directors and officers may be named as defendants in other types of legal proceedings in the future. See “—*We are involved in an ongoing government investigation by the SEC, the results of which may have a material adverse effect on our financial condition and business.*”

On March 13, 2024, Cal Microturbine, a distributor of the Company, submitted a demand for arbitration before the American Arbitration Association seeking, among other things, approximately \$24.5 million in damages and alleging that the Company breached its distributor agreement with Cal Microturbine and committed fraud in allowing another company, Capstone Engineered Solutions, to sell, rent and service turbines in Cal Microturbine's exclusive territory under the distribution agreement. On August 18, 2024, Cal Microturbine amended its complaint and reduced its damage claim to \$18.8 million. See "Legal Proceedings" for discussion of this and other legal proceedings faced by the Company.

These current and future matters may result in significant liabilities and diversion of our management's time, attention, and resources. Given the uncertain nature of litigation generally, we are not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome in these matters. In view of these uncertainties, the outcome of these matters may result in charges in excess of any established reserves and, to the extent available, liability insurance. Protracted litigation, including any adverse outcomes, may have an adverse impact on our business, financial condition or results of operations. In addition, any significant judgment or settlement amount may require us to incur additional indebtedness, adversely affect our liquidity, and ability to service our indebtedness, or require us to restructure or amend the terms of our indebtedness.

In addition, from time to time, we may face litigation relating to intellectual property, labor, product liability, stockholder, and other matters. An adverse judgment could negatively impact our financial position and results of operations, the trading price of our New Common Stock, and our ability to obtain future financing on favorable terms or at all. Whether or not resolved in a manner adverse to us, any litigation could be costly, divert management attention, or result in increased costs of doing business. Further, our insurance coverage is limited for these and other claims against us, and we may not have adequate insurance or financial resources to pay for our liabilities or losses from any such claims. See Note 14— Commitments and Contingencies in the Notes to Consolidated Financial Statements for information about legal proceedings involving the Company.

#### ***Risks Related to Data, Security, and Intellectual Property***

***Our business could be negatively impacted if we fail to adequately protect our intellectual property rights or if third parties claim that we are in violation of their intellectual property rights.***

We view our intellectual property rights as important assets. We seek to protect our intellectual property rights through a combination of patent, trademark, copyright, and trade secret laws, as well as licensing and confidentiality agreements. These protections may not be adequate to prevent third parties from using our intellectual property without our authorization, breaching any confidentiality agreements with us, copying or reverse engineering our products, or developing and marketing products that are substantially equivalent to or superior to our own. The unauthorized use of our intellectual property by others could reduce our competitive advantage and harm our business. If it became necessary for us to litigate to protect these rights, any proceedings could be burdensome and costly and we may not prevail. We cannot guarantee that any patents, issued or pending, will provide us with any competitive advantage or will not be challenged by third parties. Moreover, the expiration of our patents may lead to increased competition with respect to certain products. 6 of our 16 active U.S. patents expired in 2024. In addition, we cannot be certain that we do not or will not infringe third parties' intellectual property rights. Any such claim, even if it is without merit, may be expensive and time-consuming to defend, subject us to damages, cause us to cease making, using or selling certain products that incorporate the disputed intellectual property, require us to redesign our products, divert management time and attention and/or require us to enter into costly royalty or licensing arrangements.

***We face security and cybersecurity risks related to our electronic processing of sensitive and confidential business and product data. If we are unable to protect our data or the data of our customers, a security breach could damage our reputation and have a material adverse effect on our business.***

As a manufacturer of high technology commercial products, we face security and cybersecurity threats, as well as the potential for business disruptions associated with information technology failures or cybersecurity attacks. Given the nature of our business, we collect, process, and retain sensitive and confidential customer and associated data, in addition to proprietary business information. Our business, including our turbines and related energy assets, may be vulnerable to a data compromise, computer viruses, physical and electronic break-ins and manipulations and similar disruptions, which may not be prevented by our efforts to secure our computer systems and assets, which include

vulnerability scans and patching, network firewalls, identity and access management, data encryption, intrusion detection and prevention devices. Our cybersecurity efforts may not be able to prevent rapidly evolving types of cyber-attacks, and a successful breach of our computer systems could result in the misappropriation of personal, payment or sensitive business information, as well as, among other things, unfavorable publicity, litigation by affected parties, damage to sources of competitive advantage, disruptions to our operations, loss of customers, financial obligations for damages related to the theft or misuse of such information, and costs to remediate such security vulnerabilities, any of which could have a substantial impact on our results of operations, financial condition or cash flows. Both the frequency and magnitude of cyberattacks is expected to increase and attackers are becoming more sophisticated. Geopolitical tensions or conflicts, such as Russia's invasion of Ukraine, the conflict in Israel or increasing tension with China, may create a heightened risk of cybersecurity attacks. To the extent artificial intelligence capabilities improve and are increasingly adopted, they may be used to identify vulnerabilities and craft increasingly sophisticated cybersecurity attacks. Vulnerabilities may be introduced from the use of artificial intelligence by us, our customers or third parties. In addition, we rely on associates, contractors, and other third parties that may attempt to circumvent our security measures in order to obtain such information and may purposefully or inadvertently cause a breach involving such information. A security breach involving confidential and proprietary data or the fleet of turbines we have deployed across the globe for our customers could damage our reputation and our ability to retain existing customers or gain new customers and impact the competitive advantages derived from our R&D efforts, the usefulness of our products and services, and ultimately our stock price. In addition, we may incur material liabilities and remediation costs as a result of a security breach, and our insurance may not be sufficient to cover the impact to the business. Moreover, evolving privacy laws in the United States, Europe, and elsewhere, including the adoption by the European Union of the General Data Protection Regulation, which became effective May 2018, establish new individual privacy rights and impose increased obligations on companies handling personal data. Consequently, we may incur significant costs related to prevention and compliance with laws regarding the protection and unauthorized disclosure of personal information. Further, a greater number of our employees are working remotely, which could expose us to greater risks related to cybersecurity and our information technologies systems.

***Risks Related to Ownership of Our New Common Stock***

***Our management has identified material weaknesses in its internal control over financial reporting and we determined that our disclosure controls and procedures were ineffective as of March 31, 2024. If we fail to remediate the material weaknesses or if we otherwise fail to establish and maintain effective control over financial reporting, our ability to accurately and timely report our financial results may be affected, and such failure may adversely affect investor confidence and business operations.***

In connection with our review of our financial statements leading to the Restatement and in the course of preparing our financial statements for Fiscal 2024, we identified material weaknesses in our internal controls over financial reporting. 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 the annual or interim financial statements will not be prevented or detected on a timely basis. We have identified material weaknesses related to (i) an inappropriate tone at the top established by certain former senior executives, (ii) our lack of sufficient qualified professionals with an appropriate level of accounting and internal control knowledge, training and experience, (iii) our failure to perform a sufficient review of accounting policies to ensure ongoing adherence with U.S. GAAP, (iv) our failure to design and maintain effective internal control over financial reporting for systems, products, parts, and accessories sales subject to bill and hold arrangements with customers and (v) our failure to design and maintain effective internal control over financial reporting related to the proper accounting, presentation and disclosure for FPP service contracts, including the cost recognition of parts and labor associated with FPP service contracts.

To address our material weaknesses, we need to make changes to our program and controls as set forth in Part II, Item 9A "Controls and Procedures." We will not be able to remediate these material weaknesses unless and until these steps have been completed and have been operating effectively for a sufficient period of time. We cannot assure you that the measures we plan to take will in fact be sufficient to remediate the control deficiencies that led to the material weaknesses in our internal control over financial reporting or that such measures will prevent or avoid potential future material weaknesses, and our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, additional weaknesses in our internal control over financial reporting may be discovered in the future.

If we are unable to remediate our material weaknesses and otherwise implement and maintain effective internal control over financial reporting, our ability to record, process and report financial information accurately, and to prepare financial statements and satisfy our public reporting obligations within required time periods, could be adversely affected. If we identify any new material weaknesses in the future, any such newly identified material weakness could limit our ability to prevent or detect a misstatement of our accounts or disclosures that could result in a material misstatement of our annual or interim financial statements. In such case, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports, investors may lose confidence in our financial reporting and the prices of our securities may decline as a result. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to avoid potential future material weaknesses.

***Future issuances or sales of our New Common Stock or exercises by holders of any warrants we may issue could lower our stock price and dilute the interests of existing stockholders.***

We may issue additional shares of our New Common Stock in the future. The issuance of a substantial amount of New Common Stock could have the effect of substantially diluting the interests of our current stockholders. Further, the Preferred Units issued pursuant to the Operating Subsidiary LLC Agreement are non-dilutable, and therefore, any issuances of New Common Stock will have an even greater dilutive effect in respect of our current stockholders' indirect equity interests in the Operating Subsidiary. The sale of a substantial number of shares of our New Common Stock, or anticipation of any such sales, could cause the trading price of our New Common Stock to decline or make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise desire.

We cannot predict the effect, if any, that future sales of our New Common Stock or the availability of additional shares of our New Common Stock for sale will have on the market and trading price of our New Common Stock. If any of our stockholders sell substantial amounts of our New Common Stock in the public market, or if the public perceives that such sales could occur, this could have an adverse impact on the market and trading price of our securities, even if there is no relationship between such sales and the performance of our business.

***Once trading in the New Common Stock commences, the market price of our New Common Stock is likely to be highly volatile and you could lose all or part of your investment in our securities.***

There is no historical trading activity for our New Common Stock. See “—*There is currently no public trading market for our New Common Stock.*” An investment in our securities is risky, and stockholders could lose their investment in our securities or suffer significant losses and wide fluctuations in the market value of their investment. The commencement of trading in the New Common Stock depends on our ability to become current in our Reporting Obligations. Once trading in the New Common Stock commences, the market price of our New Common Stock is likely to be highly volatile. Given the continued uncertainty surrounding many variables that may affect our business, including the Emergence, and the industry in which we operate, our ability to foresee results for future periods is limited. This variability could affect our operating results and thereby adversely affect our stock price. Many factors that contribute to this volatility are beyond our control and may cause the market price of our New Common Stock to change, regardless of our operating performance. Factors that could cause fluctuation in our stock price may include, among other things:

- actual or anticipated variations in quarterly operating results;
- the limited market for our New Common Stock;
- our ability to become current in our Reporting Obligations and be quoted on the OTC Pink tier, or any other OTC tier or national securities exchange in the future;
- market sentiment toward alternative energy stocks in general or toward us;
- changes in financial estimates or recommendations by securities analysts;
- conditions or trends in our industry or the overall economy;
- loss of one or more of our significant customers;
- errors, omissions, or failures by third parties in meeting commitments to us;
- changes in the market valuations or earnings of our competitors or other technology companies;
- the trading of options on our New Common Stock;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures, or other strategic initiatives;

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- announcements of significant market events, such as power outages, regulatory changes, or technology changes;
- changes in the estimation of the future size and growth rate of our market;
- future equity financings;
- the failure to produce our products on a timely basis in accordance with customer expectations;
- the inability to obtain necessary components on time and at a reasonable cost;
- litigation or disputes with customers or business partners;
- capital commitments;
- additions or departures of key personnel;
- sales or purchases of our New Common Stock;
- the trading volume of our New Common Stock;
- developments relating to the SEC Investigation, litigation or other governmental investigations; and
- decreases in or continued low levels of oil, natural gas and electricity prices.

Market conditions may result in volatility in the level of, and fluctuations in, market prices of stocks generally and, in turn, our New Common Stock. Global financial markets have experienced extreme disruption in recent years, including, among other things, extreme volatility in securities prices.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against the company. This type of litigation, regardless of whether we prevail on the underlying claim, could result in substantial costs and a diversion of management's attention and resources, which could materially harm our financial condition, results of operations and cash flow.

***Provisions in our certificate of incorporation and bylaws, as well as Delaware law, may discourage, delay or prevent a merger or acquisition at a premium price.***

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of the General Corporation Law of the State of Delaware, could discourage, delay, or prevent unsolicited proposals to merge with or acquire us, even though such proposals may be at a premium price or otherwise beneficial to you. These provisions include our Board's authorization to issue shares of preferred stock, on terms the Board determines in its discretion, without stockholder approval, and the following provisions of Delaware law that restrict many business combinations.

We are subject to the provisions of Section 203 of the General Corporation Law of the State of Delaware, which could prevent us from engaging in a business combination with a 15% or greater stockholder for a period of three years from the date such stockholder acquired such status unless appropriate board or stockholder approvals are obtained.

***We do not intend to pay cash dividends. We have never paid cash dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future. Consequently, any gains from an investment in our securities will likely depend on whether the price of our common stock increases.***

We have not paid cash dividends on any of our capital stock to date and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. In addition, our ability to distribute dividends is subject to restrictions that apply under the terms of our existing indebtedness and Operating Subsidiary LLC Agreement. See "*We are a holding company with nominal net worth and will depend on dividends and distributions from our Operating Subsidiary to pay any dividends.*" As a result, capital appreciation, if any, of our New Common Stock will be your sole source of gain for the foreseeable future. Consequently, in the foreseeable future, you will likely only experience a gain from your investment in our securities if the price of our New Common Stock increases

**Item 1B. Unresolved Staff Comments.**

None.

### **Item 1C. Cybersecurity.**

We use, store and process data for and about our customers, employees, partners and suppliers. We have implemented a cybersecurity risk management program that is designed to identify, assess, and mitigate risks from cybersecurity threats to this data and our systems and business operations, including vetting and managing third-party service providers with comprehensive due diligence, continuous monitoring and strict compliance with industry standards. In addition, we provide cybersecurity awareness training to our employees, incident response personnel, and senior management, including training on best practices for data privacy and security. Our enterprise risk management program considers cybersecurity threat risks alongside other Company risks as part of our overall risk assessment process.

The Board is responsible for overseeing assessments of major risks facing the Company and for reviewing options to mitigate these risks. It has delegated oversight responsibility for information security matters to the Audit Committee, Chief Financial Officer (“CFO”) and our internal information technology (“IT”) resources. Our Director of IT manages our internal team of security professionals, as well as our third-party IT service providers, which provides 24/7 security monitoring. The personnel comprising our IT team are experienced professionals with many years of experience across a variety of technology sub-specialties.

Our CFO oversees our cybersecurity risk management, including appropriate risk mitigation strategies, systems, processes, and controls, and receives updates from IT and our third-party IT service providers on cybersecurity and information security matters. The CFO communicates with the Audit Committee and the Board periodically regarding the state of our cybersecurity risk management, current and evolving threats and recommendations for changes. We have also implemented a cyber incident response plan that provides a protocol to report certain incidents to the CFO with the goal of timely assessment of such incidents, determining applicable disclosure requirements and communicating with the Audit Committee and the Board for timely and accurate reporting of any material cybersecurity incident.

As of the date of this report, we are not aware of any material risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect the Company, including our business strategy, results of operations, or financial condition. For additional discussion of our cybersecurity-related risks, see Part I, Item 1A, “Risk Factors.”

### **Item 2. Properties.**

Our principal corporate offices, administrative, sales and marketing, R&D and support facilities consist of approximately 79,000 square feet of leased office space, warehouse space and assembly, test space and manufacturing facility for our recuperator cores located at 16640 Stagg Street in Van Nuys, California. This lease has a term of thirty-seven (37) calendar months, commencing March 1, 2023. Additionally, we lease approximately 9,216 square feet of warehouse space at 16701 Stagg Street in Van Nuys, California. This lease expired in July 2024. We also lease office and manufacturing facilities located at Unit 800 & 810 Fareham Reach, Fareham Road, Gosport, Hampshire, United Kingdom. These leases will expire in May 2037. Management believes these facilities are adequate for our current needs.

### **Item 3. Legal Proceedings**

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 a party to several material legal proceedings, which are described below. 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.

#### *Capstone Turbine Corporation v. Turbine International, LLC.*

On February 3, 2020, Capstone Turbine Corporation filed suit against its former distributor, Turbine International, LLC (“Turbine Intl.”), in the Superior Court of California for the County of Los Angeles under the following caption: *Capstone Turbine Corporation v. Turbine International, LLC*; Case No. 20STCV04372 (“Capstone-Turbine Intl. Litigation”). The Company has alleged claims against Turbine Intl. for breach of contract and for injunctive relief relating



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to the parties' prior distributor relationship, which terminated at the end of March 2018, and Turbine Intl.'s failure to satisfy its payment obligations under certain financial agreements, namely an accounts receivable agreement and promissory note in favor of Capstone. As remedies for these claims, the Company is seeking compensatory and consequential damages, along with injunctive relief and attorney's fees, interest, and costs.

On March 18, 2020, Turbine Intl. filed its answer and cross-claims in the Capstone-Turbine Intl. In its cross-claims, Turbine Intl. asserted claims against Capstone, and individually against Mr. James Crouse, Capstone's Chief Revenue Officer, for breach of contract under the distributor agreement, accounts receivable agreement and promissory note, fraud, breach of the covenant of good faith and fair dealing, unjust enrichment and constructive trust, negligent misrepresentation, violation of the California unfair practices act, violation of the racketeer influenced corrupt organizations act, and conspiracy to commit fraud. As remedies for these alleged claims, Turbine Intl. is seeking compensatory, consequential, and punitive damages along with attorney's fees, interest, and costs. Capstone answered the cross-claims on May 7, 2020.

On June 29, 2020, Capstone filed a motion to file a First Amended Complaint to add, among other things, a claim for enforcement of a guaranty signed by an entity related to Turbine Intl., Hispania Petroleum, S.A., and personal claims against the principals of Turbine Intl. and Hispania. That motion was granted on August 19, 2020, and the First Amended Complaint ("FAC") was filed. All of the additional defendants were served and have filed answers.

As of March 31, 2024, discovery had been served and answered on both sides. On May 17, 2024, the trial was set for July 29, 2024; and the court ordered the parties to mediate the matter by June 19, 2024. On July 2, 2024, Turbine Intl. petitioned the court for a continuance and to reopen discovery. The court granted the continuance and set the trial date for December 2, 2024 and rejected the request to reopen discovery. Mediation remains court ordered. The Company has not recorded a liability as of March 31, 2024, as it is unable to estimate the possible loss or range of possible loss.

### *SEC Investigation*

In June 2023, prior to the issuance of the Company's consolidated financial statements for the fiscal year ended March 31, 2023, the Audit Committee of the Company's Board commenced an Investigation into certain accounting and internal control matters of the Company, principally focused on certain revenue recognition matters (the "Revenue Recognition Investigation"), and self-reported its findings to the Division of Enforcement of the SEC. Following the self-report, the SEC Enforcement Division commenced an investigation into the circumstances surrounding the restatement of the Company's quarterly and annual financial statements (the "SEC Investigation"). The Audit Committee further self-reported its findings pursuant to an investigation into FPP related practices to the SEC. The Company is cooperating with the SEC in connection with its investigation. Investigations of this nature may be costly and require management to devote significant time and attention away from the ongoing operation of the business. The Company has not recorded a liability as of March 31, 2024, as a loss cannot be reasonably estimated.

### *Cal Microturbine Arbitration*

On March 13, 2024, Cal Microturbine, a distributor of the Company, submitted a demand for arbitration before the American Arbitration Association seeking, among other things, approximately \$24.5 million in damages and alleging that the Company breached its distributor agreement with Cal Microturbine and committed fraud in allowing another company, Capstone Engineered Solutions, to sell, rent and service turbines in Cal Microturbine's exclusive territory under the distribution agreement. The parties have completed selection of an arbitration panel; and the arbitration panel has provided two possible dates in June and October 2025 for a hearing date. On August 18, 2024, Cal Microturbine amended its complaint and reduced its damage claim to \$18.8 million. The Company has not recorded a liability as of March 31, 2024, as it is unable to estimate the possible loss or range of possible loss.

### *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 claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder based on allegedly false and misleading



statements regarding, and allegedly inadequate disclosure surrounding, 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 may incur significant legal expenses in defending the legal matters described above during the pendency of these matters, and in connection with any other potential legal matters, including expenses for the potential reimbursement of legal fees of officers and directors under indemnification obligations. The Company anticipates these legal fees to not exceed the insurance deductible of \$1.2 million and has not recorded a liability as of March 31, 2024, as a loss cannot be reasonably estimated and the outcome of this matter is uncertain. The Company incurred legal fees of \$0.1 million as of March 31, 2024.

*Rouse v. Capstone Green Energy Corporation*

On June 18, 2024, a complaint for damages was filed in the Superior Court of the State of California, County of Los Angeles captioned Mark Rouse v. Capstone Green Energy Corporation alleging violations of the California labor code, breach of contract, conversion, breach of covenant of good faith and fair dealing and wrongful termination. The complaint seeks damages, medical expenses, attorneys' fees, interest and costs related to the termination of Mr. Rouse's employment and alleged non-payment of sales commissions in excess of \$300,000. The Company resolved the dispute entering into a settlement agreement on September 15, 2024 for a non-material amount.

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

August 19, 2024, a Class Action, pursuant to Code of Civil Procedure section 382 was filed in the Superior Court of the State of California for the County of Los Angeles, Case No. 24STCV21118, on behalf of Plaintiffs and all other current and former non-exempt California employees employed by or formerly employed by Defendants claiming failure to pay overtime wages, failure to pay minimum wages, failure to provide meal periods, failure to provide rest periods, waiting time penalties, wage statement violations, failure to timely pay wages, failure to indemnify, violation of Labor Code 227.3, and unfair competition. The Court has not ruled to certify the Class. The Company has not recorded a liability as of March 31, 2024, as the Company is unable to estimate the possible loss or range of possible loss. The Company intends to fight the claims vigorously.

*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 distributor of the Company, filed a lawsuit in the Superior Court of California, County of Los Angeles claiming breach of contract, restitution, breach of implied covenant of good faith and fair dealing, account stated, money had and received, open book account, unfair business practices, accounting, and conversion, all related to DV Energy's deposit for parts ordered. DV Energy has asserted \$715,552 in damages plus interest, attorney's fees and costs. The complaint relates to a deposit for product order that the Company is restricted from delivering due to U.S. sanctions laws. The Company intends to meet its obligation to deliver the product once it can do so in accordance with U.S. Sanctions laws. The Company's Distributor Agreement defines deposits as non-refundable. The value of the DV Energy deposit is recorded in the Company's financial statements as current liability. The Company is unable to estimate the possible loss or range of possible loss and intends to fight the claims vigorously.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information

The New Common Stock is not currently quoted on any market and does not have a ticker symbol. See “—Nasdaq Delisting of Common Stock.” Our non-voting common stock is also not currently quoted on any market and does not have a ticker symbol. The below prices are in respect of the common stock, par value \$0.001 per share, of Capstone Green Energy Corporation prior to the Effective Date (the “Old Common Stock”) and in respect of the New Common Stock following the Effective Date. The below prices represent inter-dealer quotations without retail mark-up, markdown or commission and may not necessarily represent actual transactions:

	<u>Low(\$)</u>	<u>High (\$)</u>
<b>Fiscal 2025 to Date</b>		
Second Quarter	-	-
First Quarter	-	-
<b>Fiscal 2024</b>		
Fourth Quarter	-	-
Third quarter (through December 7, 2023)	\$0.10	\$0.25
Second Quarter	\$0.50	\$0.86
First Quarter	\$1.17	\$1.24
<b>Fiscal 2023</b>		
Fourth Quarter	\$1.31	\$1.37
Third Quarter	\$1.30	\$1.47
Second Quarter	\$1.75	\$1.90
First Quarter	\$2.23	\$2.58

#### Stockholders

As of September 24, 2024, there were 278 stockholders of record of the New Common Stock and 10 stockholders of record of our non-voting common stock. This does not include the number of persons whose stock is held in nominee or “street name” accounts through brokers.

#### Dividends

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. We are a holding company with nominal net worth and will depend on dividends and distributions from our Operating Subsidiary to pay any dividends. Any future determination to pay cash dividends will be made at the discretion of our Board. In addition, the terms of our outstanding indebtedness and the Operating Subsidiary LLC Agreement restrict our ability to pay cash dividends, and any future indebtedness that we may incur could preclude us from paying cash dividends.

#### Securities Authorized for Issuance Under Equity Compensation Plan.

Information about our equity compensation plans in Item 12 of Part III of this Annual Report on Form 10-K is incorporated herein by reference.

#### Unregistered Sales of Equity Securities and Use of Proceeds

On the Effective Date, in connection with the Company’s emergence from voluntary proceedings under Chapter 11 of the United States Bankruptcy Code, the Company issued 18,540,877 shares of common stock, pro rata to each holder of common stock of Capstone Green Energy Corporation.

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The issuance of the shares of common stock was made in reliance upon the exemption from registration under the Securities Act provided by Section 1145 of the United States Bankruptcy Code, as an issuance of shares in exchange for an interest in the debtor represented by the common stock of Capstone Green Energy Corporation. The issuance of the shares of common stock was made to holders of common stock of Capstone Green Energy Corporation pursuant to the procedures of The Depository Trust Company and the Company's transfer agent.

*Issuer Purchases of Equity Securities*

There were no repurchases of shares of the common stock made during Fiscal 2024, except for 12,501 shares of Capstone Energy Corporation common stock automatically withheld to cover the tax liability resulting from the vesting of restricted stock units. These withheld shares of were cancelled on the Effective Date.

*Nasdaq Delisting of Common Stock*

As a result of the delay in filing our periodic reports with the SEC and the requirements relating to Market Value of Listed Securities ("MVLS"), we were unable to comply with the Nasdaq listing standards. Our common stock was suspended from trading on the Nasdaq Capital Market effective October 5, 2023 and formally delisted effective October 23, 2023. Following the suspension of trading, our common stock was quoted on the OTC Market and traded under the symbol "CGRNQ" until our emergence from Chapter 11 on December 7, 2023 when our common shares were cancelled. As of the date of this filing, our common shares remain unquoted and without a ticker symbol. Once our delinquent filings are current, we will work towards regaining our original ticker symbol "CGRN."

**Item 6. [Reserved]**

## **Item 7. 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 contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under “Note Regarding Forward-Looking Statements” and Item 1A (Risk Factors) in this Form 10-K. The following section is qualified in its entirety by the more detailed information, including our financial statements and the notes thereto, which appears elsewhere in this Form 10-K.*

### **Recent Developments**

Refer to Note 3— Chapter 11 Proceedings and Emergence in the Notes to Consolidated Financial Statements for a summary of our voluntary filing under Chapter 11 of the Bankruptcy Code, our emergence therefrom and our delisting of our common stock from the Nasdaq. Refer to Note 12— Debt for details regarding our Exit Note Purchase Agreement and Note 14— Commitments and Contingencies for details regarding our Service Agreements and the Trademark Licensing Agreement.

### **Overview**

We are the market leader in microturbine energy systems based on the number of microturbines sold annually and total installed base. Generally, power purchased from the electric utility grid is less costly than power produced by distributed generation technologies in simple cycle mode. Utilities may also charge fees to interconnect to their power grids. However, when considering and including the waste heat from our microturbine (CHP and CCHP) the economic benefit improves significantly. Further, our highly efficient, low emission, resilient technology can produce thermal energy at a lower carbon footprint. These benefits can be especially realized when fuel costs are low, where the costs of connecting to the grid may be high or impractical (such as remote power applications or new grid services need to be provided), where reliability and power quality are of critical importance, or in situations where peak shaving could be economically advantageous because of highly variable electricity prices. Our microturbines are an inverter-based technology and can be interconnected to other distributed energy resources to form “microgrids” (also called “distribution networks”) located within a specific geographic area and provide power to a group of buildings. Because our microturbines can provide a reliable source of power and can operate on multiple fuel sources, management believes they help solve the “Energy Trilemma” of resiliency, sustainability and affordability. Management also believes our products and services offer a level of flexibility not currently offered by other technologies such as reciprocating engines. We are currently exploring energy conversion options for the smaller end of the power spectrum.

For Fiscal 2024, net revenue was \$91.2 million, a 23% increase from the prior year. The increase was led by product and accessories revenue, which were up 40% to \$49.1 million primarily due to an increase in product sales. Cost of goods sold totaled \$76.9 million and delivered \$14.3 million of gross profit in Fiscal 2024. Gross profit increased from \$9.1 million at Fiscal 2023, primarily due to the shift of sales mix to our higher margin rental business, higher product and parts pricing, higher sales volume, greater cost absorption and product mix.

During Fiscal 2024, we had net income of \$7.4 million and our basic and diluted net income per share was \$0.39, compared to a \$24.5 million loss and \$1.43 net loss per share, respectively, in Fiscal 2023. The \$31.9 million increase to net income during Fiscal 2024 was primarily due to the impact of the Chapter 11 reorganization, inclusive of a gain on settlement of debt upon emergence from Chapter 11 on December 7, 2023 of \$35.3 million. See Note 3— Chapter 11 Proceedings and Emergence in the Notes to Consolidated Financial Statements for further discussion of our outstanding indebtedness and the post emergence financing.

In the energy efficiency market, we continue to expand our market presence in hotels, office buildings, hospitals, retail and industrial applications globally. The renewable energy market is fueled by landfill gas, biodiesel and biogas from sources such as food processing, agricultural waste and livestock manure. Our product sales in the oil and gas and other natural resources market is driven by our microturbines’ reliability, emissions profile and ease of installation. Given the volatility of the oil and gas market, our business strategy is to ensure diversification by also targeting projects within the energy efficiency and renewable energy markets.

We continue to focus on improving our products based on customer input, building brand awareness and new channels to market by developing a diversified network of strategic distribution partners. Our focus is on products and solutions that provide near term opportunities to drive repeatable business rather than discrete projects for niche markets. In addition, management closely monitors operating expenses and strives to improve manufacturing efficiencies while simultaneously lowering direct material costs and increasing average selling prices. The key drivers to our success are revenue growth, higher average selling prices, lower direct material costs, positive new order flow, reduced cash usage and expansion of the Energy-as-a-Service (“EaaS”) business.

An overview of our direction, targets and key initiatives are as follows:

1. Our Energy Conversion Products business line is driven by our industry-leading, highly efficient, low-emission, resilient microturbine energy systems offering scalable solutions in addition to a broad range of customer-tailored solutions. We target specific market verticals for these products.

**Focus on Vertical Markets.** Within the distributed generation markets that we serve, we focus on vertical markets that we identify as having the greatest near-term potential. In our primary products and applications (energy efficiency, natural resources, renewable energy, critical power supply, microgrid and transportation products), we identify specific targeted vertical market segments. Within each of these segments, we identify what we believe to be the critical factors to success and base our plans on those factors. Given the volatility of the oil and gas market, we have refocused our business strategy to target projects within the energy efficiency and renewable energy markets.

The following table summarizes our percentage of product revenues by vertical markets for which we had product revenues for the periods presented:

	Year Ended March 31,	
	2024	2023
Energy efficiency	37%	56%
Natural resources	34%	34%
Renewable energy	19%	8%
Microgrid	—	2%
Transportation	10%	—

#### *Energy Efficiency—CHP/CCHP*

Energy efficiency refers to the proper utilization of both electrical and thermal energies in the power production process. In such applications, our microturbines are able to maximize the availability of usable energy to provide a significant economic advantage to customers while reducing their on-site emissions. CHP and CCHP can improve site economics by capturing the waste heat created from a single combustion process to increase the efficiency of the total system, from approximately 30% to approximately 85% for hot water and chilled water to as much as 90% or more for some steam and direct drying applications. Compared with more traditional, independent generation sources, the increase in operational efficiency also reduces greenhouse gas emissions through the displacement of other separate systems, which can also reduce operating costs and industrial waste.

#### *Natural Resources—Crude Oil, Natural Gas, Shale Gas & Mining*

Our microturbines are installed in the natural resource market for use in both onshore and offshore applications, including oil and gas exploration, production, and at compression and transmission sites as a highly efficient and reliable source of power. In some cases, these oil and gas or mining operations have no electric utility grid and rely solely on power generated on-site. There are numerous locations, on a global scale, where the drilling, production, compression and transportation of natural resources and other extraction and production processes create fuel byproducts, which are traditionally burned or released into the atmosphere. Our microturbines can turn these fuel byproducts, such as flare gas, or associated gas, into a useable fuel to provide prime power to these sites.

### *Renewable Energy*

There is a growing transition to renewable energy sources and technologies on a global scale. Our microturbines run efficiently on renewable fuels such as methane and other biogases from landfills, wastewater treatment facilities and renewable natural gas. They also run efficiently on other small biogas applications like food processing plants, livestock farms and agricultural green waste operations. Microturbines can burn these renewable fuels with minimal emissions, thereby, in some cases, avoiding the imposition of penalties incurred for pollution while simultaneously producing electricity from this “free” renewable fuel source for use at the site or in the surrounding areas. Our microturbines have demonstrated effectiveness in these smaller applications and may outperform conventional combustion engines in some situations, including when the gas contains a high amount of sulfur, as the sulfur can contaminate combustion engines’ lube oil, leading to equipment breakdowns and higher lifecycle costs.

### *Microgrid*

Microgrid is a group of interconnected loads and distributed energy resources that acts as a single controllable energy entity with respect to the grid. Distributed energy resources typically include other dual-mode microturbines, reciprocating engines, solar photovoltaic (PV), wind turbines, fuel cells and battery storage. Microgrids can be connected to larger electricity grids; however, in the event of a widespread outage, the microgrid will disconnect from the main grid and continue to operate independently to maintain the electricity supply to the homes and businesses that are connected to the microgrid’s electricity network. Our microturbines have the ability to meet the needs of microgrid end-users by lowering their overall cost to operate and by providing a versatile dispatchable technology that is fuel flexible and scalable enough to fit a wide variety of applications. We have seen continued development in the microgrid market segment.

### *Transportation*

Our technology can also be used to support Electric Vehicle (“EV”) market by providing power solutions to charge vehicles. Our products can fill a void in the EV market for vehicle charging capacity and charging convenience. Our customers have applied our products in EV applications for fleets and remote location charging stations. We are continuing to pursue global EV charging opportunities to fill the demand for power in this market segment.

### *Backlog*

Net product orders were approximately \$20.1 million and \$35.5 million for Fiscal 2024 and 2023, respectively. Ending backlog was approximately \$14.2 million at March 31, 2024 compared to \$42.8 million at March 31, 2023. The book-to-bill ratio was 0.4:2 and 1.1:1 for Fiscal 2024 and 2023, respectively. Book-to-bill ratio is the ratio of new orders we received to units shipped and billed during a period.

A portion of our backlog is concentrated in the oil and gas market, which may impact the overall timing of shipments or the conversion of backlog to revenue. The timing of the backlog is based on the requirement date indicated by our customers. However, based on historical experience, management expects that a significant portion of our backlog may not be shipped within the next 18 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 in our control and can affect the timing of our revenue. As a result, management believes the book-to-bill ratio demonstrates the current demand for our products in the given period.

2. ***Sales and Distribution Channels.*** We seek out distributors that have business experience and capabilities to support our growth plans in our targeted markets. A significant portion of our revenue is derived from sales to distributors that resell our products to end users. We have a total of 52 distributors, Original Equipment Manufacturers (“OEMs”) and national accounts. In the United States and Canada,

we currently have 8 distributors, OEMs and national accounts. Outside of the United States and Canada, we currently have 44 distributors, OEMs and national accounts. We continue to refine our distribution channels to address our specific targeted markets.

3. **Service.** As part of our EaaS business line, we provide service primarily through our global distribution network. Together with our global distribution network, we offer a comprehensive factory protection plan for a fixed fee to perform regularly scheduled and unscheduled maintenance as needed. We provide factory and on-site training to certify all personnel that are allowed to perform service on our microturbines. Factory protection plans are generally paid quarterly in advance.

We offer new and remanufactured parts through our global distribution network. Service revenue was approximately 22% and 29% of total revenue in Fiscal 2024 and Fiscal 2023, respectively.

4. **Product Robustness and Life Cycle Maintenance Costs.** We continue to invest in enhancements that relate to high performance and high reliability. An important element of our continued innovation and product strategy is to focus on the engineering of our product hardware and electronics to make them work together more effectively and deliver improved microturbine performance, reliability and low maintenance costs to our customers.
5. **New Product Development.** Our new product development is targeted specifically to meet the needs of our selected vertical markets. We expect that our existing product platforms, the C65, C200, C600, C800 and C1000S Series microturbines, will be our foundational product lines for the foreseeable future. Our research and development project portfolio is centered on enhancing the features of these base products.

We have continued to develop our new hydrogen products. In March 2022, we released a commercially available hydrogen-based combined heat and power (CHP) product, which can safely run on a 30% hydrogen-70% natural gas mix. In continuing these efforts, we are testing a 100% hydrogen gas combustion system through our research and development partnership with Argonne National Laboratory.

6. **Cost and Core Competencies.** We believe that the core competencies of our products are our recuperator design air-bearing technology, advanced combustion technology and sophisticated power electronics to form efficient and ultra-low emission electricity and cooling and heat production systems. Our core intellectual property is contained within our air-bearing technology. We continue to review avenues for cost reduction by sourcing from the best value supply chain option. In order to utilize manufacturing facilities and technology more effectively, we are focused on continuous improvements in manufacturing processes. Additionally, considerable effort is being directed to manufacturing cost reduction through process improvement, product design, advanced manufacturing technology, supply management and logistics. Management expects to be able to leverage our costs as product volumes increase.

Our manufacturing designs include the use of conventional technology, which has been proven in high- volume automotive and turbocharger production for many years. Many components used in the manufacture of our products are readily fabricated from commonly available raw materials or off-the-shelf items available from multiple supply sources; however, certain items are custom made to meet our specifications and require longer lead times. We believe that in most cases, adequate capacity exists at our suppliers and that alternative sources of supply are available or could be developed within a reasonable period of time; however, it may be more challenging to transition to another supplier from single source suppliers with long lead times. We regularly reassess the adequacy and abilities of our suppliers to meet our future needs.

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 Van Nuys, California with a production capacity of approximately 2,000 units per year, depending on product mix.

### **Critical Accounting Estimates**

Our discussion and analysis of our financial condition and results of operations is based upon our 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 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 on-going basis, we evaluate our estimates, including but not limited to those related to credit losses, inventories, warranty obligations, redeemable noncontrolling interests valuations 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 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.

Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors. In addition, there are other items within our financial statements that require estimation but are not deemed critical as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements.

- Our inventories are valued at the lower of cost (determined on a first in first out basis) or net realizable value. We routinely evaluate the composition of our inventories and identify slow-moving, excess, obsolete or otherwise impaired inventories. Inventories identified as impaired are evaluated to determine if write-downs are required. Included in this assessment is a review for obsolescence as a result of engineering changes in our product. Future product enhancement and development may render certain inventories obsolete, resulting in additional write-downs of inventories. In addition, inventories are classified as current or long-term based on our sales forecast and also, in part, based on our projected usage for warranty claims and service. A change in forecast could impact the classification of inventories.
- The process for estimating the ultimate collection of accounts receivable involves significant assumptions and judgments. The determination of the contractual life of accounts receivable, the aging of outstanding receivables, as well as the historical collections and write-offs are integral parts of the estimation process related to reserves for expected credit losses and the establishment of contractual allowances. Accounts receivable are analyzed on a quarterly basis to assess the adequacy of reserves for expected credit losses. Trade accounts receivable are recorded at the invoiced amount and are typically non-interest bearing. We maintain allowances for estimated credit losses resulting from the inability of our customers to make required payments and other credit loss allowances. We evaluate all accounts aged over 60 days past payment terms. If the financial condition of our customers deteriorates or if other conditions arise that result in an impairment of their ability or intention to make payments, additional allowances may be required. Refer to Note 2— Basis of Presentation, Significant Accounting Policies and Going Concern in the Notes to Consolidated Financial Statements.
- The Company accounts for the noncontrolling interest using the hypothetical liquidation at book value (“HLBV”) method to attribute the earnings of the consolidated Operating Subsidiary between the controlling and noncontrolling interests. Under the HLBV method, the amounts reported as noncontrolling interests in the consolidated Operating Subsidiary on the Consolidated Balance Sheets represent the amounts the noncontrolling interests would hypothetically receive at each balance sheet reporting date under the liquidation provisions of the governing agreements assuming the net assets of the consolidated Operating Subsidiary were liquidated at recorded amounts and distributed between the controlling and noncontrolling



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interests in accordance with the governing documents. The net income attributable to noncontrolling interests in the Operating Subsidiary on the Consolidated Statements of Operations is associated with the increase or decrease in the noncontrolling interest holders' contractual claims on the respective entities' balance sheets assuming a hypothetical liquidation at the end of that reporting period when compared with their claims on the respective entities' balance sheets assuming a hypothetical liquidation at the beginning of that reporting period, after removing the impact of any contributions or distributions. Separately, the Company will also determine whether an adjustment should be recorded to remeasure the redemption feature attached to the Preferred Units to their maximum redemption value through retained earnings. Refer to Note 10— Temporary Equity for details on remeasuring the redemption value of the Preferred Units.

**Results of Operations**

**Year Ended March 31, 2024 Compared to Year Ended March 31, 2023**

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

	Year Ended March 31,	
	2024	2023
United States and Canada	\$ 55.9	\$ 47.0
Europe	18.3	11.6
Russia	—	2.9
Latin America	8.8	5.8
Asia and Australia	7.9	6.1
Middle East and Africa	0.3	0.5
Total	<u>\$ 91.2</u>	<u>\$ 73.9</u>

**Revenue.** Revenue for Fiscal 2024 increased \$17.3 million, or 23%, to \$91.2 million from \$73.9 million for Fiscal 2023. The change in revenue for Fiscal 2024 compared to Fiscal 2023 included increases in revenue of \$8.9 million from the United States and Canadian markets, \$6.7 million in the European market, \$3.0 million from the Latin American markets and \$1.8 million from the Asian and Australian markets. These overall increases in revenue were offset by decreases in revenue of \$2.9 million from the Russian market and \$0.2 million from the Middle East and African markets. The increases in the United States and Canada, Europe, Latin America and Asia and Australia were primarily attributable to an increase in our EaaS long-term rental services and product deliveries for projects during the year ended March 31, 2024. The decrease in Russia was a result of United States sanctions and the decrease in the Middle East and Africa was primarily attributable to decreases in product shipments into the energy efficiency vertical markets compared to the same period last year.

The following table summarizes our revenue (revenue amounts in millions):

	Year Ended March 31,					
	2024			2023		
	Revenue	Megawatts	Units	Revenue	Megawatts	Units
Microturbine Product	\$ 47.8	40.5	182	\$ 33.2	29.0	192
Accessories	1.3			1.8		
Total Product and Accessories	<u>49.1</u>			<u>35.0</u>		
Parts and Service	30.7			30.7		
Rentals	11.4			8.2		
Total	<u>\$ 91.2</u>			<u>\$ 73.9</u>		

For Fiscal 2024, revenue from microturbine products and accessories increased \$14.1 million, or 40%, to \$49.1 million from \$35.0 million for Fiscal 2023. The \$14.1 million increase was primarily driven by an increase in megawatts shipped during the year ended March 31, 2024 compared to the same period last year. Megawatts shipped were 40.5 megawatts and 29.0 megawatts during the year ended March 31, 2024 and 2023, respectively. Average revenue per megawatt shipped was approximately \$1.2 million and \$1.1 million during the year ended March 31, 2024 and 2023, respectively, illustrating the effect of previously announced Product price increases. The timing of shipments is variable

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and based on several factors (including customer deposits, payments, availability of credit and delivery schedule changes), most of which are not within our control and can affect the timing of revenue recognition.

Parts, service and rentals revenue (which are part of our EaaS business line and includes revenue from our parts shipments, factory protection plan (“FPP”) contracts, rentals, Distributor Support Subscription fees, and other service revenue) for Fiscal 2024 increased \$3.2 million, or 8%, to \$42.1 million from \$38.9 million for Fiscal 2023. The \$3.2 million increase was driven by an increase in rental revenue as a result of our EaaS business plan, and an increase in revenue from our FPP contracts, partially offset by lower engineering service revenue and spare parts. Refer to Note 14— Commitments and Contingencies— Related Party Transactions, in the Notes to Consolidated Financial Statements for information related to Reorganized PrivateCo’s retained assets and distributor support services business in connection with the Company’s emergence from the Chapter 11 Cases.

Sales to Cal Microturbine and E-Finity Distributed Generation (“E-Finity”) accounted for 16% and 13%, respectively, of our revenue for Fiscal 2024. Sales to E-Finity and RSP Systems accounted for 12% and 11%, respectively, of our revenue for Fiscal 2023.

**Gross Profit.** Cost of goods sold includes direct material costs, production and service center labor and overhead, inventory charges and provision for estimated product warranty expenses. Gross profit was approximately \$14.3 million, or 16% of revenue, for Fiscal 2024, compared to gross profit of \$9.1 million, or 12% of revenue, for Fiscal 2023. The increase during Fiscal 2024 compared to Fiscal 2023 was primarily the result of an increase in product pricing and increased revenue from our higher margin rental business and lower inventory charges, partially offset by higher production and service center labor and overhead expense. Starting in January 2023, we increased our sales prices and negotiated with vendors to reduce material costs.

Production and service center labor and overhead expense increased \$2.1 million during Fiscal 2024 compared to Fiscal 2023 primarily because of increases of approximately \$2.9 million in depreciation and rent expense related to our rental business, partially offset by decreases of \$0.8 million in freight expense and \$0.5 million in supplies expense.

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

	Year Ended March 31,	
	March 31,	
	2024	2023
<b>Gross Profit</b>		
Product and accessories	\$ (2.2)	\$ (4.9)
As a percentage of product and accessories revenue	(4)%	(14)%
Parts, service and rentals	\$ 16.5	\$ 14.0
As a percentage of parts, service and rentals revenue	39 %	36 %
Total Gross Profit	\$ 14.3	\$ 9.1
As a percentage of total revenue	16 %	12 %

The improvement of \$2.7 million in product and accessories gross profit during Fiscal 2024 compared to Fiscal 2023 was primarily due to higher product pricing, improved cost absorption and product mix in Fiscal 2024.

Product and accessories gross margin as a percentage of product and accessories revenue improved to (4)% during Fiscal 2024 from (14)% during Fiscal 2023, primarily due to higher margin product revenue in Fiscal 2024. Parts, service and rentals gross margin as a percentage of parts, service and rentals revenue increased to 39% for Fiscal 2024 compared to 36% for Fiscal 2023 primarily due to lower overhead costs and increased higher margin rental business in Fiscal 2024.

**Research and Development (“R&D”) Expenses.** R&D expenses for Fiscal 2024 and 2023 was \$2.5 million and \$2.4 million, respectively.

**Selling, General and Administrative (“SG&A”) Expenses.** SG&A expenses for Fiscal 2024 increased \$7.0 million to \$32.2 million from \$25.1 million for Fiscal 2023. The net increase in SG&A expenses was primarily as a result

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of increases of approximately \$7.7 million in legal fees, \$2.4 million in accounting fees, \$1.1 million in consulting expenses incurred primarily for restatement activities and \$1.1 million in stock-based compensation expense, partially offset by decreases of \$3.8 million of net credit loss expense, \$0.7 million in facility costs, \$0.3 million in travel related costs, and \$0.2 million in marketing costs.

**Interest Expense.** Interest expense for Fiscal 2024 decreased to \$5.5 million from \$6.2 million in Fiscal 2023. The decrease in interest expense was primarily due to a lower average debt balance during Fiscal 2024 due to restructuring compared to the \$51.0 million pre-petition notes during Fiscal 2023. See Liquidity and Capital Resources below for additional discussion on our interest expense.

**Income Tax Provision.** Income tax expense increased from \$7,000 during Fiscal 2023 to \$14,000 during Fiscal 2024. Income tax expense incurred was related to state taxes. The effective income tax rate of 0.19% differs from the federal and state blended rate primarily as a result of maintaining a full valuation allowance against net deferred tax assets.

At March 31, 2024, we had federal and state net operating loss carryforwards of approximately \$0.6 million and \$0.2 million, respectively, which may be utilized to reduce future taxable income, subject to any limitations under Section 382 of the Internal Revenue Code of 1986. We provided a valuation allowance for 100% of our net deferred tax asset of \$0.1 million at March 31, 2024 as the realization of the benefits of these favorable tax attributes in future income tax returns is not deemed more likely than not. Similarly, at March 31, 2023, the net deferred tax asset had a 100% valuation allowance.

## Liquidity and Capital Resources

### Cash Flows

Our cash requirements depend on many factors, including the execution of our business strategy and plan. Our cash balance decreased \$10.8 million during Fiscal 2024, compared to a decrease of \$9.7 million during Fiscal 2023. The decrease in cash during Fiscal 2024 was primarily due to cash used in operating activities, partially offset by net cash provided by financing activities and a decrease in cash used in investing activities.

**Operating Activities** During Fiscal 2024, net cash used by operating activities was \$27.7 million, consisting of net income for the period of \$7.4 million, offset by changes in operating assets and liabilities of \$12.5 million and non-cash adjustments (primarily representing non-cash reorganization items, net, depreciation and amortization, non-cash lease expense, stock-based compensation expense and paid-in-kind interest expense) of \$22.5 million. During Fiscal 2023, net cash used by operating activities was \$7.9 million, consisting of a net loss for the period of \$24.5 million and changes in operating assets and liabilities of \$5.3 million, partially offset by non-cash adjustments (primarily representing provision for credit loss expense, depreciation and amortization, non-cash lease expense and stock-based compensation expense) of \$11.3 million.

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

	Year Ended March 31,	
	March 31,	
	2024	2023
Net income (loss)	\$ 7,392	\$ (24,522)
Non-cash operating activities(1)	(22,519)	11,268
Changes in operating assets and liabilities:		
Accounts receivable	(571)	4,060
Inventories	15,382	(11,521)
Accounts payable and accrued expenses	(8,754)	5,660
Operating lease liability, net	(3,413)	(1,304)
Prepaid expenses, other current assets and other assets	871	(1,210)
Other changes in operating assets and liabilities	(16,046)	9,625
Net cash used in operating activities	<u>\$ (27,658)</u>	<u>\$ (7,944)</u>

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- (1) Primarily represents non-cash reorganization items, net (in Fiscal 2024), depreciation and amortization, non-cash lease expense, stock-based compensation expense and paid-in-kind interest expense.

The change in non-cash operating activities during Fiscal 2024, compared to Fiscal 2023 was primarily driven by the non-cash reorganization items, net, which included our gain on debt extinguishment and our provision for credit loss expense, partially offset by increases in non-cash lease expenses, paid-in-kind interest expense and stock-based compensation expense. The change in accounts receivable was primarily the result of delayed collections in Fiscal 2024, compared to Fiscal 2023. The change in inventory compared to Fiscal 2023 was primarily the result of a decrease in finished goods during Fiscal 2024. The change in accounts payable and accrued expenses was primarily due to higher payments to vendors during Fiscal 2024, compared to Fiscal 2023. The change in other operating assets and liabilities during Fiscal 2024, compared to Fiscal 2023, was primarily driven by the decreases in our deferred revenue attributable to customer deposits, FPP contracts and DSS program.

**Investing Activities** Net cash used in investing activities was \$4.7 million and \$8.2 million during Fiscal 2024 and 2023, respectively, which the decrease was primarily due to fewer additions to our rental fleet during Fiscal 2024.

**Financing Activities** During Fiscal 2024, we generated approximately \$21.6 million in cash from financing activities compared to cash generated during Fiscal 2023 of approximately \$6.4 million. The funds generated from financing activities during Fiscal 2024 were primarily the result of \$12.0 million of funding under the DIP facility, \$7.0 million of funding under the Exit Facility, net of issuance fees of \$0.2 million and \$3.0 million received from the issuance of additional pre-petition senior secured notes under the A&R Note Purchase Agreement. See Note 3— Chapter 11 Proceedings and Emergence in the Notes to Consolidated Financial Statements and Note 12— Debt for further discussion of the outstanding debt and post emergence financing. The funds generated from financing activities during Fiscal 2023 were primarily the result of net proceeds from the issuance of common stock and warrants of \$7.3 million, partially offset by \$0.8 million in repayments of lease obligations.

**Debt** Refer to Note 12— Debt in the Notes to Consolidated Financial Statements for information related to our notes.

**Lease Commitments** Refer to Note 13— Leases in the Notes to Consolidated Financial Statements for information related to our leases.

**Going Concern** In connection with preparing the Consolidated Financial Statements for the fiscal year ended March 31, 2024, 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 became due for the next twelve months from the date of issuance of our Fiscal 2024 consolidated financial statements. As of March 31, 2024, we had cash of \$2.1 million and a working capital deficit of \$38.5 million. We incurred a loss from operations of \$20.4 million and used cash from operating activities of \$27.7 million during the Fiscal 2024.

Depending on the timing of our future sales and collection of related receivables, managing inventory costs and the timing of inventory purchases and deliveries required to fulfill the backlog, our future working capital requirements may vary materially from those now planned. The amount of capital that we will need in the future to fund our operations will require us to achieve significantly increased sales volume, which is dependent on many factors, including:

- the market acceptance of our products and services;
- our business, product and capital expenditure plans;
- capital improvements to new and existing facilities;
- our competitors' response to our products and services;
- our relationships with customers, distributors, dealers and project resellers;
- our customers' ability to afford and/or finance our products; and
- reliability of the supply chain, including availability of raw materials.

Management evaluated these conditions in relation to our ability to meet our obligations as they become due. Our ability to continue current operations and to execute on management's plan is dependent on our ability to generate cash flows.

The Company has assessed its position and hired a new CEO, is refocusing its marketing efforts, and is expanding the professional staff to focus on market development for its products. The success of these efforts is uncertain and may not result in improvement in the liquidity position.

On September 28, 2023, we filed for a prepackaged financial restructuring with our Senior Lender, Goldman Sachs under the U.S. Chapter 11 Bankruptcy laws. We emerged from Bankruptcy on December 7, 2023, and effected a financial and organizational restructuring. See Note 3— Chapter 11 Proceedings and Emergence in the Notes to Consolidated Financial Statements for additional information.

In spite of these efforts and given our current cash position, lack of liquidity, limits to accessing capital and debt funding options, and current economic and market risks, there is 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 our financial statements as of, and for the period ended March 31, 2024.

#### **Impact of Recently Issued Accounting Standards**

Refer to Note 2— Basis of Presentation, Summary of Significant Accounting Policies and Going Concern in the Notes to Consolidated Financial Statements for information regarding new accounting standards.

#### **Item 7A. Quantitative and Qualitative Disclosure 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 8. Financial Statements and Supplementary Data.**

Our Consolidated Financial Statements included in this Form 10-K beginning at page F-77 are incorporated in this Item 8 by reference.

#### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

#### **Item 9A. Controls and Procedures.**

##### *Disclosure Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure that 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-K for the fiscal year ended March 31, 2024, an evaluation was performed under the supervision and with the participation of our management, including the 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 March 31, 2023, due to the material weaknesses in our internal control over financial reporting described below, our disclosure controls and procedures were not effective.

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Notwithstanding the identified material weaknesses, management believes the consolidated financial statements included in this Annual Report on Form 10-K fairly present, in all material respects, our consolidated financial position and consolidated results from operations and cash flows for the fiscal years ended March 31, 2024 and March 31, 2023, and our financial condition as of each such date and have been prepared in conformity with U.S. 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 of directors, 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 U.S. 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 U.S. 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, 2024 because of the material weaknesses 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 weaknesses were identified:

- There was an inappropriate tone at the top established by certain former senior executives. For example, certain former senior executives delayed shipments of parts under the FPP service contracts, which because of our incorrect accounting for our FPP program resulted in delayed recording of the associated expense and liabilities on the Company's financial statements. These business practices were also not properly communicated to our Board, Audit Committee, or independent registered public accounting firm.
- We lacked sufficient qualified professionals with an appropriate level of accounting and internal control knowledge, training and experience to (i) appropriately analyze, record and disclose accounting matters timely and accurately and (ii) design and maintain effective internal control over financial reporting.
- We did not perform a sufficient review of accounting policies to ensure ongoing adherence with U.S. GAAP.
- We did not design and maintain effective controls over financial reporting for systems, products, parts, and accessories sales subject to bill and hold arrangements with customers.
- We did not design and maintain effective controls over financial reporting related to the proper accounting, presentation and disclosure for FPP service contracts, including the cost recognition of parts and labor associated with FPP service contracts.

*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 weaknesses described above. The Company's remediation actions include, but are not limited to the following:

- The Company has reinforced and will continue to reinforce its tone at the top through enhanced communication of the Company's values and expected business conduct to their personnel directly from the Company's senior leadership.

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- Management is enhancing our quarterly disclosure committee meetings to require additional communication of business activities to the appropriate finance and accounting personnel and to our Board and Audit Committee as required.
- The Company has hired and continues to hire additional accounting and compliance personnel as is necessary to maintain an effective control environment commensurate with our financial reporting requirements. Management will continue to assess the composition of its resource needs, both internal and external, which may include hiring additional accounting and compliance resources, including engaging in third-party advisors when necessary.
- Management is implementing a formal process to periodically review and update accounting policies.
- Management has reviewed and refined the Company's current accounting memorandums related to product, parts, and accessories sales and FPP service contracts to address the proper financial reporting considerations. Additionally, management is enhancing the design of and implementing controls over financial reporting for (i) systems, products, parts, and accessories sales subject to bill and hold arrangements with customers and (ii) FPP service contracts, including the cost recognition of parts and labor associated with FPP service contracts.

We believe these measures will remediate the material weaknesses, but management is assessing the need for any additional steps to remediate the underlying causes that gave rise to these weaknesses. The material weaknesses 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, 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.

***Inherent limitations of the Effectiveness of Internal Control***

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

**Item 9B. Other Information.**

*Rule 10b5-1 Trading Plans*

During the quarter ended March 31, 2024, 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."

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

**Board of Directors; Leadership Structure**

Set forth below is certain information regarding the directors of the Company. The ages of and biographical information regarding the Board is based on information furnished to the Company by each director and is as of September 24, 2024.

<b>Directors</b>	<b>Age</b>	<b>Director Since</b>	<b>Board Class (I)</b>	<b>Audit Committee</b>	<b>Compensation &amp; Human Capital Committee</b>	<b>Governance &amp; Sustainability Committee</b>
Robert C. Flexon(2)	66	2018	II			
Vince J. Canino(3)	61	2024	III			
Yon Y. Jorden	69	2017	I	X	X	
Robert F. Powelson	55	2019	II		X	X
Denise M. Wilson(4)	65	2019	II		X	X
Ping Fu	66	2021	I	X		X
John P. Miller(5)	66	2024	III	X		X

(1) The term of Class I directors expires at the first annual meeting following the initial classification in April 2024. The term of Class II directors expires at the second annual meeting following the initial classification. The term of Class III directors expires at the third annual meeting following the initial classification.

(2) Chair of the Board

(3) Mr. Canino joined the Board on March 11, 2024 in connection with his appointment as President and Chief Executive Officer

(4) Lead Independent Director

(5) Mr. Miller joined the Board on February 26, 2024

The principal occupations and business experience for at least the last five years for each director are set forth below. The biographies of each of the directors below contain information regarding the person's service as a director, business experience, director positions held currently or at any time during the last five years, information regarding the experiences, qualifications, attributes or skills that caused the Governance and Sustainability Committee and the Board to determine that the person should serve as a director.

**Robert C. Flexon.** Mr. Flexon has been a director since April 2018 and has served as Chair since January 2021. Mr. Flexon served as our Executive Chairman from August 9, 2023 until March 31, 2024 and as our Interim President and Chief Executive Officer from August 22, 2023 until March 10, 2024. Mr. Flexon has served as a director of PG&E Corporation (NYSE: PCG) since June 2020 and is currently the chair of the board. He has also served as a director for Charah Solutions, Inc. (NYSE: CHRA) from June 2018 to July 2023 and of the Electric Reliability Council of Texas (ERCOT) since 2021. Mr. Flexon was President and Chief Executive Officer and a director of Dynegy Inc. (NYSE: DYN), a power-generating company that owns and operates a number of natural gas-fueled or coal-fueled power stations in the U.S, from July 2011 to April 2018. In 2016, a subsidiary of Dynegy filed for bankruptcy under Chapter 11 of the bankruptcy code. Prior to joining Dynegy, Mr. Flexon served as the Chief Financial Officer of UGI Corporation (NYSE: UGI), a distributor and marketer of energy products and related services from February 2011 to July 2011. Mr. Flexon was the Chief Executive Officer of Foster Wheeler AG (Nasdaq: FWLT) from June to October 2010 and the President and Chief Executive Officer of Foster Wheeler USA from November 2009 to May 2010. Prior to joining Foster Wheeler, Mr. Flexon was Executive Vice President and Chief Financial Officer of NRG Energy, Inc. (NYSE: NRG) from February to November 2009. Mr. Flexon previously served as Executive Vice President and Chief Operating Officer of NRG Energy from March 2008 to February 2009 and as its Executive Vice President and Chief Financial Officer from 2004 to 2008. Prior to joining NRG Energy, Mr. Flexon held executive positions with Hercules, Inc. and various key positions, including General Auditor, with Atlantic Richfield Company. In addition, Mr. Flexon was a CPA with the former Coopers & Lybrand from 1980 to 1987. Mr. Flexon served on the public board of directors of Foster Wheeler from 2006 until 2009 and from May to October 2010, of Westmoreland Coal Company from 2017 to 2019 and of TransAlta Corp. from 2019 to



2020. He served on the board of directors for Genesys Works-Houston, an organization that transforms the lives of disadvantaged high school students through meaningful work experience, from 2016 to 2021. He also served on the board of directors of Baker Ripley, a Texas non-profit organization that connects low-income people to opportunities, from 2014 to 2016. He has served on the board of directors of Nexus, a privately held water utility company, since April 2024. Mr. Flexon holds a Bachelor of Science degree in Accounting from Villanova University. He became a Certified Public Accountant (inactive) in the State of Pennsylvania.

Among his other skills and expertise, Mr. Flexon brings to the Board over a decade of experience in accounting and financial matters and has a breadth of executive management experience. In his years as an energy industry executive, he has developed a deep comprehension of wholesale power generation markets and customers.

**Vince J. Canino.** See “Executive Officers” for information pertaining to Mr. Canino.

**Yon Y. Jorden.** Ms. Jorden has been a director since April 2017. Ms. Jorden has also served as director and audit committee and nominating & governance committee member of Cohu, Inc. (Nasdaq: COHU) since May 2021, which is a global leader in back-end semiconductor equipment and services, delivering leading-edge solutions for the manufacturing of semiconductors. She has also served as director and audit committee member of Alignment Healthcare, Inc. (Nasdaq: ALHC), which is a tech-enabled Medicare Advantage plan company, since January 2022. Additionally, she serves as a director and finance committee member of Methodist Health System, a not-for-profit Texas-based hospital system since 2008. Prior to her current roles, Ms. Jorden served as director, chairperson of the compensation committee, a member of the audit committee and a member of the governance and nominating committee, the latter of which she previously served on as chairperson, for Maxwell Technologies (Nasdaq: MXWL), a leader in development and manufacturing of energy storage and power delivery solutions from 2008 to 2017. In addition, she also served as director and chairperson of the audit committee of Magnatek, Inc. (Nasdaq: MAG), a manufacturer of digital power control systems, U.S. Oncology, a privately-held oncology services company, and BioScrip, Inc. (Nasdaq: BIOS), a national provider of infusion and home care management solutions. During her business career, Ms. Jorden has served as chief financial officer of four publicly traded companies, including as Executive Vice President and Chief Financial Officer of AdvancePCS (Nasdaq: ADVP), a pharmacy benefits management company, from 2002 to 2004. Previously she was chief financial officer of Informix, a Nasdaq-listed technology company, Oxford Health Plans, a Nasdaq-listed provider of managed health care services, and WellPoint, Inc., a NYSE-listed managed care company. Ms. Jorden received her Bachelor of Science degree in Accounting from the California State University, Los Angeles. Earlier in her career, she was a senior auditor with Arthur Andersen & Co., where she became a Certified Public Accountant (inactive) in the State of California.

Among her other skills and expertise, Ms. Jorden brings to the Board decades of extensive experience as both a chief financial officer as well as a board member in all areas of corporate governance and finance, including mergers and acquisitions, structuring IPOs, restructurings, and managing public debt and equity offerings. Ms. Jorden is a board leadership fellow of the National Association of Corporate Directors, demonstrating her commitment and leadership as a board member.

**Robert F. Powelson.** Mr. Powelson has been a director since June 2019. Mr. Powelson has served as the President and Chief Executive Officer of the National Association of Water Companies (“NAWC”) since June 2018. Prior to joining NAWC, Mr. Powelson was nominated to the Federal Energy Regulatory Commissioner (“FERC”) by President Donald J. Trump in May 2017, confirmed by the U.S. Senate in August 2017, and served as a member of FERC until August 2018. Prior to his appointment to FERC, Mr. Powelson served on the Pennsylvania Public Utility Commission (“PUC”) from June 2008 to August 2017, and served as the PUC’s chairman from February 2011 to May 2015. Mr. Powelson also served on Pennsylvania’s Marcellus Shale Advisory Commission from March 2011 to July 2011. Prior to joining the PUC, Mr. Powelson served as president of the Chester County Chamber of Business & Industry from February 1994 to July 2008. Mr. Powelson was also a past president of the National Association of Regulatory Utility Commissioners (“NARUC”), where he also was a member of the board of directors from March 2011 to July 2017. Mr. Powelson served as chairman of the NARUC Committee on Water and Power and represented the Water Committee on NARUC’s Task Force on Climate Policy. Mr. Powelson holds a Masters of Governmental Administration from the University of Pennsylvania and a Bachelor of Arts from St. Joseph’s University.

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Among his other skills and expertise, Mr. Powelson brings to the Board extensive expertise in public utilities, the regulatory environment and public policy.

**Denise M. Wilson.** Ms. Wilson has been a director since November 2019. Ms. Wilson served as Executive Vice President and President, Alternative Energy Businesses for NRG Energy, Inc. (NYSE: NRG), an independent power company with generation, energy retail business and cleantech ventures, from July 2011 through January 2016. Ms. Wilson served as Executive Vice President and Chief Administrative Officer of NRG from September 2008 through July 2011. Prior to September 2008, Ms. Wilson served as Executive Vice President, Human Resources for Nash-Finch Company, a national food distributor, and other various senior roles at NRG from 2000 through 2007. Prior to joining NRG, Ms. Wilson held various key positions as Vice President Human Resources with Metris Companies Inc. and Director, Human Resources with General Electric ITS. Ms. Wilson holds a Masters in Industrial Relations from the University of Minnesota.

Ms. Wilson brings to the Board extensive experience as President of a Fortune 500 company that generates electricity and provides energy solutions and natural gas to more than 3.7 million residential, small business, and commercial and industrial customers.

**Ping Fu.** Ms. Fu has been a director since August 2021. She currently serves on the board of directors of Live Nation Entertainment (NYSE: LYV), the world's largest live entertainment company, as well as the boards of Long Now Foundation and Burning Man Project. In 1996, Ms. Fu co-founded Geomagic, a leader in 3D imaging and 3D printing technologies that has fundamentally changed the way products are designed and manufactured around the world, and she served as its CEO until 2013. Following the acquisition by 3D Systems (NYSE: DDD) of Geomagic in 2013, Ms. Fu served as Chief Strategy Officer and Chief Entrepreneur Officer at 3D Systems until 2016. She was also part of the team that created the NCSA Mosaic software and HTTP server software which were key in the early development of the Internet. Ms. Fu has received numerous awards for her leadership, including the Outstanding American by Choice award from the U.S. Citizenship and Immigration Services, the Ernst & Young Entrepreneur of the Year award and Inc. Magazine's Entrepreneur of the Year award. Ms. Fu's book, *Bend Not Break: A Life in Two Worlds*, was on the New York Times bestseller list.

Ms. Fu brings to the Board extensive experience in senior executive and leadership positions, global business experience and expertise in technology trends, social change and policy making.

**Mr. Miller** Mr. Miller has been a director since February 2024. He has over 40 years of broad-based executive management experience in the manufacturing, distribution and transportation industries and has served in senior finance and leadership roles at public and private companies across a range of industry categories. He has served on the board of directors of Spruce Power Holding Corporation, an owner and operator of distributed solar energy assets, since 2022. From 2017 to 2021, he served as Chief Executive Officer of Power Solutions International, Inc., a publicly traded company focusing on the design, engineering and manufacture of a broad range of advanced, emission-certified engines and power systems. From 2008 until 2016, Mr. Miller served in operational and financial management positions of increasing responsibility at Navistar International Corporation, a global vehicle manufacturer and solutions provider, including as senior vice president of operations and corporate finance. Prior to such roles, he served in the role of Chief Financial Officer of Laidlaw International, Inc., a provider of public transportation services, Chicago Metallic Corporation, a global manufacturer of suspended ceiling and metal products, Fleetpride, Inc., a distributor of heavy duty truck parts, and Peapod, an online grocery delivery company. Mr. Miller received his Master of Business Administration from the University of Michigan and a Bachelor of Arts degree in economics from DePauw University.

Mr. Miller brings to the Board extensive industry experience and expertise in financial management and strategic planning.

Other than Mr. Flexon in respect of the bankruptcy filing of Dynegy's subsidiary and Mr. Flexon and Mr. Juric in respect of the Chapter 11 Cases, no director or officer has been involved in any legal proceedings required to be disclosed under Item 401(f) of Regulation SK.

The Board met thirty (30) times during the fiscal year ended March 31, 2024 (the "2024 Fiscal Year" or "Fiscal 2024"). The Board has established an Audit Committee, a Compensation and Human Capital Committee, and a Governance and Sustainability Committee. During Fiscal 2024, each director attended at least 75% of the aggregate of (1)

the total number of meetings of the Board (held during the period for which he or she was a director) and (2) the total number of meetings of all committees of the Board of the Company on which the director served (during the periods that he or she served). The Company strongly encourages each member of the Board to attend each annual meeting of stockholders. The Company's independent directors met in executive session, without members of the Company's management present, at all of the regularly scheduled meetings of the Board in Fiscal 2024.

### **Risk Oversight**

The Board oversees an enterprise-wide approach to risk management designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and to enhance stockholder value. A fundamental part of risk management is not only understanding the risks the Company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. The involvement of the full Board in setting the Company's business strategy is a key part of its assessment of management's appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company. The full Board participates in an annual enterprise risk management assessment.

While the Board has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls, and receives an annual risk assessment report from the Company's internal auditors. In setting compensation, the Compensation and Human Capital Committee strives to create incentives that encourage a level of risk-taking behavior consistent with the Company's business strategy and is responsible for oversight with respect to compensation and succession planning risks.

### **Cybersecurity Governance**

The Board is responsible for overseeing assessments of major risks facing the Company and for reviewing options to mitigate these risks. It has delegated oversight responsibility for information security matters is shared by the Audit Committee, CFO and our internal IT resources. Our CFO oversees our cybersecurity risk management, including appropriate risk mitigation strategies, systems, processes, and controls, and receives quarterly updates from IT and our third-party IT service provider on cybersecurity and information security matters. The CFO communicates regularly with the Audit Committee and Board on the state of our cybersecurity risk management, current and evolving threats, and recommendations for changes. We have also implemented a cyber incident response plan that provides a protocol to report certain incidents to the CFO with the goal of timely assessment of such incidents, determining applicable disclosure requirements and communicating with the Audit Committee and Board for timely and accurate reporting of any material cybersecurity incident.

### **Audit Committee**

The Audit Committee currently consists of Ms. Jorden (Chair), Ms. Fu and Mr. Miller, which was also the composition as of March 31, 2024. Following his appointment as Executive Chairman in August 2023, Mr. Flexon resigned from the Audit Committee. Upon his appointment to the Board on February 26, 2024, Mr. Miller was appointed to the Audit Committee. The Audit committee is constituted to comply with Section 3(a)(58)(A) of the Exchange Act and is responsible, among other items, for: (i) overseeing the Company's accounting and financial reporting practices; (ii) annually retaining the independent public accountants as auditors of the financial statements and accounts of the Company; (iii) monitoring the scope of audits made by the independent public accountants and the audit reports submitted by the independent public accountants; (iv) overseeing the systems of internal control which management and the Board have established; and (v) discussing with management and the independent and internal auditors the Company's major financial risk exposure and the steps taken to monitor and control such exposure. In addition, the Audit Committee reviews and approves all related party transactions. The Audit Committee operates under a written charter adopted by the Board, a copy of which is available on the Company's website at [www.capstonegreenenergy.com](http://www.capstonegreenenergy.com). Pursuant to its written charter, the Audit Committee reviews its charter on an annual basis for compliance, best practices and any other needed updates or changes. During Fiscal 2024, the Audit Committee held twelve (12) meetings. The Board has determined that Ms. Jorden is an "audit committee financial expert," as that term is defined by applicable rules adopted by the SEC. The Board has further determined that each member of the Audit Committee is independent and financially literate as defined by Nasdaq and SEC rules, as applicable.

### **Compensation and Human Capital Committee**

The Compensation and Human Capital Committee currently consists of Ms. Wilson (Chair), Mr. Powelson, and Ms. Jorden, which was also the composition as of March 31, 2024. The Compensation and Human Capital Committee is comprised solely of directors who qualify as independent for purposes of Nasdaq rules in conformance with the Compensation and Human Capital Committee's charter, and are "non-employee directors," as defined in Rule 16b-3 under the Exchange Act and "outside directors," as defined under Section 162(m) of the Internal Revenue Code of 1986, amended (the "Code"). The functions of the Compensation and Human Capital Committee include: (i) annually reviewing and recommending to the Board the corporate goals and objectives relevant to the compensation of our Chief Executive Officer, (ii) evaluating the performance of our Chief Executive Officer in light of such corporate goals and objectives and, based on such evaluation, recommending to the Board the compensation of our Chief Executive Officer, (iii) determining the compensation of all executive officers other than the Chief Executive Officer, (iv) retaining, terminating and approving the compensation of any compensation advisors, (v) reviewing and approving our policies and procedures for the grant of equity based awards, (vi) reviewing and approving grants of awards under our incentive based compensation plans and equity based plans, (vii) reviewing and making recommendations to the Board with respect to director compensation, (viii) reviewing and overseeing the Company's policies and practices relating to human capital management, (ix) reviewing, monitoring and providing recommendations to our Board on our workplace policies and practices, including corporate culture and employee engagement, talent management and leadership development, employee diversity and inclusion, and ensuring a respectful workplace free of discrimination and harassment, and (x) reviewing and evaluating, at least annually, the performance of our Compensation and Human Capital Committee and its members, and reporting to the Board on the results of such evaluation. The Compensation and Human Capital Committee operates under a written charter adopted by the Board, a copy of which is available on the Company's website at [www.capstonegreenenergy.com](http://www.capstonegreenenergy.com). Pursuant to its written charter, the Compensation and Human Capital Committee reviews its charter on an annual basis for compliance, best practices and any other needed updates or changes. During Fiscal 2024, the Compensation and Human Capital Committee held four (4) meetings.

### **Governance and Sustainability Committee**

The Governance and Sustainability Committee currently consisted of Mr. Powelson (Chair), Ms. Wilson, and Ms. Fu, which was also the composition as of March 31, 2024. Upon his appointment to the Board on February 26, 2024, Mr. Miller was appointed to the Governance and Sustainability Committee. The Governance and Sustainability Committee is comprised solely of "independent directors" as defined by Nasdaq rules in conformance with the Governance and Sustainability Committee's charter. The Governance and Sustainability Committee is responsible for, among other things, (i) monitoring corporate governance matters; (ii) recommending to the full Board candidates for election to the Board and committees of the Board; (iii) coordinating the Board evaluation process; (iv) providing general oversight in respect of corporate governance, social responsibility, and sustainability matters; and (v) overseeing succession planning of the CEO and other key positions. The Governance and Sustainability Committee operates under a written charter adopted by the Board, a copy of which is available on the Company's website at [www.capstonegreenenergy.com](http://www.capstonegreenenergy.com). Pursuant to its written charter, the Governance and Sustainability Committee reviews its charter on an annual basis for compliance, best practices and any other needed updates or changes. During Fiscal 2024, the Governance and Sustainability Committee held one (1) meeting.

### **Board of Directors and Committee Performance Evaluations**

The charter of each of the Audit Committee, the Compensation and Human Capital Committee and the Governance and Sustainability Committee requires an annual performance evaluation, and the Company's Corporate Governance Principles also mandate an annual evaluation of the Board. Such performance evaluations are designed to assess whether the Board and its committee's function effectively and make valuable contributions to the Company. In June 2024, the Governance and Sustainability Committee conducted an assessment of the performance of the Board, as well as an assessment of each member's skill sets and experience and how such skill sets and experience align with the needs of the Company in reaching the Company's strategic objectives. In July 2024, the Governance and Sustainability Committee and the Board discussed the results of the assessments and put a follow-up process in place to conduct the annual performance evaluation of the Audit Committee, the Compensation and Human Capital Committee and the Governance and Sustainability Committee as well as the Board.

### **Director Recommendation and Nomination Process**

Nominations of persons for election to our Board by the stockholders may be made at an annual meeting of stockholders by any stockholder who (i) was a stockholder of record entitled to vote in the election of directors at the time of giving of notice provided for below on the record date for the determination of stockholders entitled to vote at such annual meeting, and (ii) complies with the notice procedures set forth below and as further described in our bylaws as to such nomination.

Without qualification, for nominations, the stockholder must have given timely notice thereof in writing to the secretary of the corporation at:

Capstone Green Energy Holdings, Inc.  
16640 Stagg Street  
Van Nuys, CA 91406  
Attention: Secretary

To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the corporation not earlier than the close of business on the 150th calendar day and not later than the close of business on the 120th calendar day prior to the first anniversary of the date of the immediately preceding annual meeting of stockholders; provided, however, that the date of the annual meeting is advanced by more than thirty (30) calendar days prior to such anniversary date or delayed more than seventy (70) calendar days after such anniversary date, a proposal shall be received by the corporation not earlier than the close of business on the 150th day before the meeting and not later than the later of (a) the close of business on the 120th day before the meeting or (b) the close of business on the tenth day following the day on which public announcement of the date of the annual meeting is first made by the corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above.

As discussed in the Company's bylaws, the notice must set forth: (A) certain information as to each nominee such stockholder proposes to nominate at the meeting as set forth in the Company's bylaws, including such person's written consent to being named in the proxy statement, proxy card and ballot as a nominee and to serving as a director if elected, and (B) certain information as to, and certain representations and certifications from, the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is being made, as set forth in the Company's bylaws.

The above does not purport to provide in detail the requirements for a stockholder's nomination of the director. A stockholder interested in nominating a director to our Board is encouraged to review our bylaws and the SEC's proxy rules, as any stockholder nomination must comply with the applicable provisions of our bylaws and the SEC's proxy rules and will be handled in accordance with our bylaws and applicable laws.

The Governance and Sustainability Committee reviews the composition and size of the Board and determines the criteria for Board membership. In addition, the Governance and Sustainability Committee reviews the qualifications, qualities, skills and other expertise of prospective candidates to determine whether they will make good candidates for membership on the Company's Board. This consideration includes, at a minimum, a review of each prospective candidate's character, judgment, experience, expertise, age, diverse characteristics, independence under applicable law and freedom from other conflicts, as well as other factors that the Governance and Sustainability Committee deems relevant in light of the needs of the Board and the Company and/or that are in the best interests of the Company, including the ability to dedicate sufficient time, energy and attention to performance of Board duties, among other things. The Governance and Sustainability Committee selects qualified candidates and recommends those candidates to the Board, and the Board then decides if it will invite the candidates to be nominees for election to the Board. The Governance and Sustainability Committee also considers legal requirements, including stock exchange requirements and applicable laws and regulations.

The Governance and Sustainability Committee also considers issues of diversity, such as diversity of education and professional experience and differences in viewpoints, skills and backgrounds, including gender, race and ethnicity differences, as well as other differentiating characteristics. The Governance and Sustainability Committee actively considers all relevant factors when considering nominees for directors, including the factors outlined above, when

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evaluating potential nominees to the Board. The Board and the Governance and Sustainability Committee believe that it is essential that members of the Board represent diverse viewpoints.

As of the date of this Annual Report on Form 10-K, we meet California state laws (that were recently ruled to be unconstitutional by California Superior Courts) to have (i) at least one director who self-identifies as a member of an underrepresented community (as defined by such law) and (ii) based on the current size of our Board, at least three female directors.

The Governance and Sustainability Committee uses the following process to identify prospective candidates for the Board and to evaluate all candidates, including candidates recommended by stockholders in accordance with the Company's policy regarding stockholder recommendations and the director nominations process. The Governance and Sustainability Committee: (i) reviews the composition and size of the Board and determines the criteria for Board membership; (ii) evaluates the Board for effectiveness and makes a verbal presentation of its findings to the Board; (iii) determines whether the current members of the Board who satisfy the criteria for Board membership are willing to continue in service; if the current members of the Board are willing to continue in service, the Governance and Sustainability Committee evaluates the performance of such board members and considers those current members for re-nomination, and if the current members of the Board are not willing to continue in service or if there will be an increase in the number of directors on the Board, the Governance and Sustainability Committee considers candidates who meet the criteria for Board membership; (iv) if necessary, engages a search firm to assist with the identification of potential candidates; (v) compiles a list of potential candidates; (vi) evaluates the prospective candidates, including candidates recommended by stockholders, to determine which of the prospective candidates, if any, will best represent the interests of all stockholders and determines whether any conflicts of interest exist; (vii) holds meetings to narrow the list of prospective candidates; (viii) along with the Chair of the Board and management, interviews a select group of prospective candidates; (ix) approves the candidate or candidates who are most likely to advance the best interests of the stockholders; and (x) recommends the selected candidate or candidates to the Board and the stockholders for approval. The Governance and Sustainability Committee, which may request the assistance of members of the Board who are not on the Governance and Sustainability Committee in the execution of its duties, carefully documents the selection and evaluation process.

Pursuant to our Corporate Governance Guidelines, management directors are required to offer to resign from the Board upon their termination as an employee of the Company (other than as a result of normal retirement), which resignation may be accepted by the Board in its sole discretion. A non-employee director must inform, and offer his or her resignation to, the Board in the event of any principal occupation or business association change, including retirement. The Board does not believe that directors who retire from or change the primary occupation that they held when they were first elected to the Board should necessarily leave the Board in every instance.

**Stockholder Communications**

The Company has a policy whereby stockholders may communicate directly with the Company's Board, or individual members of the Board, by writing to the Company at:

Capstone Green Energy Holdings, Inc.  
16640 Stagg Street  
Van Nuys, CA 91406  
Attention: Secretary

and indicating prominently on the outside of any envelope that the communication is intended for: (i) the Board; (ii) the Chair of the Board; (iii) a specific committee of the Board; (iv) the non-management directors; or (v) any director or subset of directors of the Board. The Secretary reviews all correspondence and regularly forwards to the appropriate director, directors or the Board, copies of all communications that, in the opinion of the Secretary, deal with the functions of or otherwise require the attention of individual directors, the Board or committees or subsets thereof. Unless, in the opinion of the Secretary, a communication is improper or irrelevant, a communication will not be withheld from its intended recipient(s) without the approval of the Chair of the Board, the Chair of the appropriate committee or the director who presides during non-management executive sessions. Directors may, at any time, review a log of all correspondence received by the Company in accordance with the policy and request copies of any such correspondence.

## Executive Officers

The names and ages of all executive officers of the Company and the principal occupation and business experience for at least the last five years for each are set forth below. The age of and biographical information regarding each executive officer is based on information furnished to the Company by each executive officer and is as of September 24, 2024.

The following list identifies the name, age and position(s) of the executive officers of the Company:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Vince J. Canino	61	President & Chief Executive Officer
John J. Juric	63	Chief Financial Officer

The term of each executive officer runs until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal. The following is a biographical summary of the experience of the executive officers of the Company:

**Vince J. Canino.** Mr. Canino was appointed as President and Chief Executive Officer and a member of the Board on March 11, 2024. Prior to joining the Company, Mr. Canino served as the Chief Operating Officer of ESS Tech, Inc. (NYSE: GWH), a developer of long-duration energy storage solutions, from September 2022 to March 2024. He previously spent approximately eight years with Smardt Chiller Group, Inc. (“Smardt”), a manufacturer of oil-free chillers, most recently serving as Smardt’s President and Chief Executive Officer. Mr. Canino also served in various roles with Trane Commercial Systems (“Trane”), a manufacturer of heating, ventilation and air conditioning systems, including as Trane’s Vice President, Enterprise Businesses and Renewable Energy. Mr. Canino’s career includes multiple leadership, management, operations and sales roles with publicly traded and privately held organizations. Mr. Canino serves as a board member of Western Washington University and holds a Master of Science in Engineering Mechanics from Pennsylvania State University and a Bachelor of Technology in Mechanical Engineering from the State University of New York at Binghamton.

Among his other skills and expertise, Mr. Canino brings to the Board his unique perspective as President and Chief Executive Officer of the Company and substantial executive and industry experience.

**John J. Juric.** Mr. Juric was appointed Chief Financial Officer in March 2023. Prior to joining the Company, Mr. Juric spent nearly two years providing management and financial consulting services to C-suite executives in multiple industries. Previously, Mr. Juric served as Vice President of Finance and Chief Financial Officer of USALCO, LLC, a chemical manufacturing and distribution company, for six years, and as President Americas & Asia Industrial Division and Americas Region Chief Financial Officer of Fiberweb, PLC., a global nonwoven products manufacturer and distributor, for nearly five years. Additionally, Mr. Juric’s career includes multiple leadership, finance, and accounting roles with publicly traded and privately held organizations. He also previously served as the Director of Finance at Hercules, Inc., a global specialty chemical manufacturing company. Mr. Juric is a Certified Public Accountant and holds an MBA and Bachelor of Science in Accounting degree from West Chester University.

## Code of Business Conduct and Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees of the Company. All directors, officers and employees of the Company are expected to be committed to the highest standards of honest, ethical and legal behavior. The Board reviews the Code of Business Conduct and Ethics on an annual basis or more often, if necessary. The Company has also adopted a Code of Ethics for Principal and Senior Financial Officers. Each governance document is available on the Company’s website at [www.capstonegreenenergy.com](http://www.capstonegreenenergy.com). We intend to post on our website all disclosures that are required by law concerning any amendments to, or waivers from, any provision of the Code of Business Conduct and Ethics and Code of Ethics for Principal and Senior Financial Officers.

## Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires the Company’s directors and executive officers and persons who own more than 10% of a registered class of the Company’s equity securities to file with the SEC initial reports of ownership



and reports of changes in ownership of the Company’s equity securities. The Company endeavors to assist officers and directors in making these filings. Based solely on its review of the reports filed with the SEC during the Company’s fiscal year ended March 31, 2024, the Company believes that all reporting requirements under Section 16(a) for the fiscal year ended March 31, 2024 were met in a timely manner by its directors, executive officers, and greater than 10% beneficial owners, except for one filing made by Celia Fanning in connection with the acquisition of 15,000 shares of common stock underlying restricted stock units, the information for which was filed on Form 4 on April 13, 2023.

**Item 11. Executive Compensation.**

The Company is a “smaller reporting company” under Item 10 of Regulation S-K promulgated under the Exchange Act and has elected to comply with certain of the requirements applicable to smaller reporting companies in connection with this Annual Report on Form 10-K. Although the rules allow the Company to provide less detail about its executive compensation program, the Compensation and Human Capital Committee is committed to providing the information necessary to help stockholders understand its executive compensation-related decisions. The information below summarizes the executive compensation program and results for our named executive officers (“NEOs”) for Fiscal 2024.

**2024 Summary Compensation Table**

The following table sets forth information regarding the compensation paid to or earned by the Company’s CEO and our other NEOs, for services rendered to the Company and its subsidiaries for the fiscal years indicated.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)(1)</b>	<b>Non-Equity Incentive Plan Compensation (\$)(3)</b>	<b>All Other Compensation (\$)(4)</b>	<b>Total (\$)</b>
Vince J. Canino	2024	21,154	—	472,500	—	—	493,654
<i>President &amp; Chief Executive Officer (5)</i>	2023	—	—	—	—	—	—
Robert C. Flexon	2024	390,715 (7)	—	35,869	—	—	426,584
<i>Former Interim President, Chief Executive Officer &amp; Executive Chairman (6)</i>	2023	—	—	—	—	—	—
Darren R. Jamison	2024	218,586	—	362,167	—	4,592	585,345
<i>Former President &amp; Chief Executive Officer (8)</i>	2023	557,180	—	362,170	—	7,389	926,739
John J. Juric	2024	375,000	—	292,590	48,611	11,066	727,267
<i>Chief Financial Officer (9)</i>	2023	21,635	100,000 (2)	220,000	—	666	342,301

- (1) This column represents the aggregate grant date fair value of restricted stock units (“RSUs”) and performance restricted stock units (“PRSUs”) granted in the years presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718, excluding the estimated impact of forfeitures related to service-based vesting conditions. Grant date fair value is calculated using the closing price of Capstone’s common stock on the date of grant. For a discussion of the valuation assumptions, see Note 9— Permanent Equity in the Notes to Consolidated Financial Statements. For PRSUs granted in Fiscal 2024, the amount reported in the table above represents the grant date fair value of such award assuming the probable outcome of the performance conditions. The value of such award, assuming the maximum achievement of the performance conditions, is \$56,250 for Mr. Juric. Mr. Jamison forfeited his PRSU award upon his termination of service. Mr. Canino joined the Company in March 2024 and did not receive a PRSU award for Fiscal 2024.
- (2) Mr. Juric earned a signing bonus of \$100,000 upon joining the Company on March 6, 2023.
- (3) This column represents non-equity incentive plan compensation earned pursuant to the Capstone Executive Annual Incentive Plan (the “AIP”).
- (4) Amounts reported in this column include Company vacation payouts, Company contributions to the 401(k) plan and premiums paid by the Company for life insurance.
- (5) Mr. Canino joined the Company on March 11, 2024.
- (6) Mr. Flexon served as Non-Executive Chairman of the Board until his appointment as Executive Chairman on August 9, 2023 and served as our Interim President and Chief Executive Officer from August 22, 2023 until March 10, 2024.



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Mr. Flexon remained Executive Chairman until March 31, 2024, upon which time he transitioned back to the role of Non-Executive Chairman of the Board effective April 1, 2024.

- (7) Consists of \$356,715 in base salary earned by Mr. Flexon in connection with his service as Interim President and Chief Executive Officer from August 22, 2023 until March 10, 2024 and \$34,000 in director compensation received by Mr. Flexon during the periods in Fiscal 2024 when he was not serving as Interim President and Chief Executive Officer.
- (8) Mr. Jamison departed the Company on August 22, 2023.
- (9) Mr. Juric joined the Company on March 6, 2023.

**Components and Results of the Fiscal 2023 Executive Compensation Program**

The primary components of the compensation program for our NEOs are base salary, annual incentive compensation and long-term incentives and awards. Our NEOs are also eligible for employee benefits consistent with those offered to other employees of the Company and for severance and change in control (“CIC”) benefits.

**Base Salary** Base salary is intended to provide a level of assured cash compensation that is competitive in the marketplace to our executive officers. It is based on the individual’s qualifications, experience with the Company, past performance, taking into account all relevant criteria, value to the Company, the Company’s ability to pay and relevant competitive market data. For Fiscal 2024, the Compensation and Human Capital Committee approved the following base salaries:

Named Executive Officer	Base Salary at the end of 2024 Fiscal Year	Base Salary at the end of 2023 Fiscal Year	% Increase
Vince J. Canino (1)	\$ 550,000	\$ —	—
Darren R. Jamison (2)	\$ —	\$ 557,180	—
John J. Juric (3)	\$ 375,000	\$ 375,000	0%
Robert C. Flexon (4)	\$ 600,000	\$ —	—

- (1) Mr. Canino joined the Company on March 11, 2024.
- (2) Mr. Juric joined the Company on March 6, 2023.
- (3) Mr. Jamison departed the Company on August 22, 2023.
- (4) Mr. Flexon served as Interim President and CEO, from August 22, 2023 until March 10, 2024. In connection with Mr. Flexon’s appointment as Interim President and Chief Executive Officer, the Board approved this base salary, which as pro-rated based on his total tenure as Interim President and Chief Executive Officer.

**Annual Incentive Compensation, Targets and Results** The AIP for Fiscal 2024 was designed to focus our NEOs on driving future growth and profitability. The AIP established for Fiscal 2024 was cancelled upon Emergence and a new Post-emergence AIP Plan was approved for the period from Emergence to March 31, 2024. Specifically, this plan was designed to reward our NEOs and other senior executives if the Company were to achieve pre-determined total revenue, adjusted EBITDA, and cash flow from operating activities, subject to the Company’s standard clawback provisions. Target annual incentive opportunities are expressed as a percentage of base salary and were established based on each NEO’s level of responsibility and ability to impact overall results. The Compensation and Human Capital Committee also considers market data in setting target award amounts. Mr. Juric’s target award opportunity for Fiscal 2024 was 60% of his base salary. Mr. Canino will begin participating in the AIP in Fiscal 2025, and his target award opportunity will be 100% of his base salary. All awards require compliance with the Exit Note Purchase Agreement covenants to be eligible for any incentive payout regardless of goal achievement(s). The Compensation and Human Capital Committee also has the discretion to determine if any amendments to the Exit Note Purchase Agreement covenants that have a financial impact on the Company could result in the performance gate/trigger to not have been met.

The weightings for the performance measures for Fiscal 2024 are set forth in the table below:

Total Revenue	Adjusted EBITDA	Cash Provided by Operating Activity
30%	40%	30%

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The Fiscal 2024 AIP performance goals were structured to encourage growth (in millions):

Performance Metrics	Performance Payout Level				Actual Results
	Threshold (50%)	Target (100%)	Maximum (150%)		
Revenue	\$ 38.579	\$ 43.579	\$ 54.500		\$ 32.184
Adjusted EBITDA	\$ 1.000	\$ 4.194	\$ 6.000		\$ (0.160) (1)
Cash flows from operating activities	\$ (8.760)	\$ (5.760)	\$ 3.000		\$ (7.439)

(1) Adjusted EBITDA for purposes of the AIP is defined as EBITDA before gain on debt extinguishment, stock-based compensation and other expense, non-recurring legal and consulting expenses and other items determined at the discretion of the Compensation and Human Capital Committee. Refer to page 69 for a reconciliation of Net Loss, as reported to adjusted EBITDA.

On July 8, 2024, the Compensation and Human Capital Committee met to determine if certain performance targets were met under the terms of awards granted for the 2024 Fiscal Year pursuant to the Post-emergence AIP. The Compensation and Human Capital Committee determined that the Company reached above the threshold level of achievement for cash flows from operating activities performance criteria. As such, the Compensation and Human Capital Committee authorized payments for Fiscal 2024 pursuant to the Post-emergence AIP. Mr. Canino was appointed at the end of the fiscal year and did not receive an award under this plan for Fiscal 2024.

**Long-Term Incentive Targets and Awards** In discharging its responsibility for administering the Company's stock-based compensation programs, the Compensation and Human Capital Committee regularly monitors and evaluates the total cost of such programs, based on information provided annually by, and in consultation with the Company's independent compensation consultant. This information includes share utilization and annual grant levels. The Compensation and Human Capital Committee determines the appropriate award to each NEO by assessing equity incentive awards made to officers of comparable companies.

Long-term incentive awards are designed to have senior executives focused on the execution of longer-term financial and strategic growth goals that drive stockholder value creation, strengthen our financial position, and support the Company's leadership retention strategy.

All awards granted prior to Emergence were cancelled on the Effective Date in accordance with the Plan.

**Outstanding Equity Awards at 2024 Fiscal Year-End**

Information about outstanding equity awards held by our NEOs as of the end of Fiscal 2024 is set forth in the table below.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date (2)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)	Equity Incentive Plan Awards:	Equity Incentive Plan Awards:
	Exercisable (#)(1)	Unexercisable (#)(1)					Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(3)
Vince J. Canino	—	—	—	—	450,000 (4)	472,500	—	—

- (1) Options vested 25% on the first anniversary of the grant date and monthly thereafter on a pro rata basis over the next 36 months, conditioned on continued service to the Company. However, all grants were cancelled on the Effective Date in connection with Emergence.
- (2) All options terminate, if not sooner, at the expiration of ten years following the grant date. However, all grants were cancelled on the Effective Date in connection with Emergence.
- (3) Based on the fair value of our common stock of \$1.05 as forth in the valuation report as of March 31, 2024.
- (4) These RSUs vest in three equal installments on each anniversary of March 11, 2025, conditioned on continued service to the Company.

**Employee Benefits** Executive officers are generally entitled only to health, welfare and retirement benefits that are consistent with those offered to other employees of the Company. The Company offers group life, disability, medical, dental and vision insurance and an employee stock purchase program. The Company maintains a defined contribution 401(k) profit-sharing plan in which all employees are eligible to participate. The plan also provides for both Company matching and discretionary contributions, which are determined by the Board. The Company matches 50 cents on the dollar up to 6% of the employee's compensation that is contributed. The Company's match vests 25% a year over four years starting from the employee's hire date.

***Executive Employment Contracts, Termination of Employment and Change in Control Arrangements***

In July 2018, the Company adopted the Capstone Turbine Corporation Amended and Restated Severance Pay Plan (the "Original Severance Plan"). The Original Severance Plan provided that, in the event that a NEO's employment is terminated by the Company without Cause (as defined in the Original Severance Plan), the NEO would be entitled to receive, subject to the execution of a separation agreement containing a general release of claims, 26 weeks (or 52 weeks in the case of the Chief Executive Officer) of base salary continuation and reimbursement of COBRA premiums for six months (or twelve months in the case of the Chief Executive Officer). On March 2, 2023, the Company amended the Original Severance Plan (the "Amended Original Severance Plan") to provide that, in the event that the Chief Financial Officer's employment is terminated by the Company without Cause, the Chief Financial Officer will be entitled to receive, subject to the execution of a separation agreement containing a general release of claims, 52 weeks of base salary continuation and reimbursement of COBRA premiums for twelve months. The amendment also provides that, in the event that the Chief Executive Officer's employment is terminated by the Company without Cause, the Chief Executive Officer will be entitled to receive, subject to the execution of a separation agreement containing a general release of claims, 18 months of base salary continuation and reimbursement of COBRA premiums for eighteen months.

On the Effective Date, the Company adopted the Capstone Green Energy Holdings, Inc. Severance Pay Plan (the "New Severance Plan"), which contains terms substantially similar to those set forth in the Amended Original Severance Plan.

Prior to the Effective Date, the Company entered into Change in Control Agreements ("CIC Agreements") with each of our NEOs that provide for certain payments and benefits following a termination of the NEO's employment either by the Company without Cause (as defined in the CIC Agreements) (other than due to the NEO's death, the NEO being Disabled (as defined in the CIC Agreements), or the NEO becoming an employee of any direct or indirect successor to the business or assets of the Company, rather than continuing as an employee of the Company) or by the NEO for Good Reason (as defined in the CIC Agreements), in either case within six months prior to or 24 months following a CIC (as defined in the CIC Agreements and such a termination, a "Qualifying Termination"). In the event of a Qualifying Termination, subject to the NEO signing and not revoking a separation agreement containing a general release of claims and a non-disparagement covenant (the "Separation Agreement"), compliance with his or her obligations under the Separation Agreement and compliance with any other continuing obligations to the Company or its successor, the NEO will be eligible to receive (a) a lump sum severance payment equal to 1.0 times the sum of the NEO's (i) annual base salary for the calendar year in which the Qualifying Termination occurs (or annual base salary in effect immediately prior to the CIC, if higher) and (ii) target annual incentive compensation for the calendar year in which the Qualifying Termination occurs, but pro-rated for the portion of such calendar year that falls prior to the Qualifying Termination; (b) a monthly cash payment in an amount equal to the monthly employer contribution that the Company would have made to provide health insurance to the NEO if he or she had remained employed by the Company for up to 18 months; and (c) acceleration of any unvested equity awards outstanding on the date of the Qualifying Termination, assuming achievement of performance criteria at target and without reduction for any shortened performance period in the case of performance-based equity awards. Payments under the CIC Agreements are in lieu of payments under the Severance Plan. Our recently completed financial restructuring constituted a CIC under the CIC Agreements. If a NEO experiences a Qualifying Termination within 24 months following such restructuring, such NEO would be eligible to receive the foregoing severance payments and benefits, as applicable, pursuant to such NEO's CIC Agreement.

Prior to the Effective Date, the Company entered into Change in Control Agreements ("Pre-Emergence CIC Agreement") with Mr. Juric for certain payments and benefits following a termination of Mr. Juric's employment either by the Company without Cause (as defined in the Pre-Emergence CIC Agreement) (other than due to Mr. Juric's death, Mr. Juric being Disabled (as defined in the Pre-Emergence CIC Agreement), or Mr. Juric becoming an employee of any

direct or indirect successor to the business or assets of the Company, rather than continuing as an employee of the Company) or by Mr. Juric for Good Reason (as defined in the Pre-Emergence CIC Agreement), in either case within six months prior to or 24 months following a CIC (as defined in the Pre-Emergence CIC Agreement and such a termination, a “Qualifying Termination”). In the event of a Qualifying Termination, subject to Mr. Juric signing and not revoking a separation agreement containing a general release of claims and a non-disparagement covenant (the “Separation Agreement”), compliance with his obligations under the Separation Agreement and compliance with any other continuing obligations to the Company or its successor, Mr. Juric will be eligible to receive (a) a lump sum severance payment equal to 1.5 times the sum of Mr. Juric’s (i) annual base salary for the calendar year in which the Qualifying Termination occurs (or annual base salary in effect immediately prior to the CIC, if higher) and (ii) target annual incentive compensation for the calendar year in which the Qualifying Termination occurs, but pro-rated for the portion of such calendar year that falls prior to the Qualifying Termination; (b) a monthly cash payment in an amount equal to the monthly employer contribution that the Company would have made to provide health insurance to Mr. Juric if he had remained employed by the Company for up to 18 months; and (c) acceleration of any unvested equity awards outstanding on the date of the Qualifying Termination, assuming achievement of performance criteria at target and without reduction for any shortened performance period in the case of performance-based equity awards. Payments under the Pre-Emergence CIC Agreements are in lieu of payments under the Severance Plan. Our recently completed financial restructuring constituted a CIC under the Pre-Emergence CIC Agreements, but a Qualifying Termination of Mr. Juric has not occurred. If Mr. Juric experiences a Qualifying Termination within 24 months following such restructuring, Mr. Juric would be eligible to receive the foregoing severance payments and benefits, as applicable, pursuant to his CIC Agreement.

In connection with the appointment of Mr. Canino as President and Chief Executive Officer, the Company entered into a CIC Agreement with Mr. Canino (the “Amended and Restated CIC Agreement” and together with the Pre-Emergence CIC Agreement, the “CIC Agreements”). The Amended and Restated CIC Agreement provides for certain payments and benefits following a Qualifying Termination (as defined in the Amended and Restated CIC Agreement). In the event of a Qualifying Termination, subject to Mr. Canino’s execution and non-revocation of a Separation Agreement, compliance with his obligations under the Separation Agreement and compliance with any other continuing obligations to the Company or its successor, he will be eligible to receive (a) two and one-half (2.5) times the sum of his: (i) annual base salary for the calendar year in which the Date of Termination (as defined in the Amended and Restated CIC Agreement) occurs (or the employee’s annual base salary in effect immediately prior to the CIC, if higher); and (ii) target annual incentive compensation for the calendar year in which the Date of Termination occurs; (b) a monthly cash payment in an amount equal to the monthly employer contribution that the Company would have made to provide health insurance to Mr. Canino if he had remained employed by the Company, for up to 30 months; and (c) acceleration of any unvested equity awards outstanding on the date of the Qualifying Termination, assuming achievement of performance criteria at target and without reduction for any shortened performance period in the case of performance-based equity awards. Payments under the Amended and Restated CIC Agreements are in lieu of payments under the Severance Plan.

The Company has entered into indemnification agreements with its officers and directors containing provisions which may require the Company, among other things, to indemnify its officers and directors against certain liabilities that may arise by reason of their status or service as officers or directors (other than liabilities arising from willful misconduct of a culpable nature) and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified.

The tables below set forth the amount of compensation payable to each of Messrs. Canino and Juric, as if each situation occurred on March 31, 2024, under the Severance Plan or CIC Agreements discussed above.

*Mr. Canino*

<b>Executive Benefits and Payments upon Termination</b>	<b>Involuntary Termination without Cause</b>	<b>Involuntary Termination Related to Change in Control</b>
Cash Payments	\$ 825,000 (1)	\$ 2,750,000 (2)
Insurance Benefits	37,578 (3)	62,630 (4)
<b>Total</b>	<b>\$ 862,578</b>	<b>\$ 2,812,630</b>

(1) Reflects severance payments of Mr. Canino’s annual base salary as of March 31, 2024 over a period of 18 months, payable under the Severance Plan.

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- (2) Reflects a lump sum severance payment equal to two and one-half times the sum of Mr. Canino’s annual base salary as of March 31, 2024, and target annual incentive compensation, payable under the Change in Control Agreement with Mr. Canino.
- (3) Reflects monthly payments of health benefit premiums over a period of 18 months, payable under the Severance Plan.
- (4) Reflects monthly payments of health benefit premiums over a period of 30 months, payable under the Change in Control Agreement with Mr. Canino.

*Mr. Juric*

<u>Executive Benefits and Payments upon Termination</u>	<u>Involuntary Termination without Cause</u>	<u>Involuntary Termination Related to Change in Control</u>
Cash Payments	\$ 375,000 (1)	\$ 900,000 (2)
Insurance Benefits	26,010 (3)	39,015 (4)
<b>Total</b>	<b>\$ 405,365</b>	<b>\$ 939,015</b>

- (1) Reflects severance payments of Mr. Juric’s annual base salary as of March 31, 2024 over a period of 52 weeks, payable under the Severance Plan.
- (2) Reflects a lump sum severance payment equal to one and one-half times the sum of Mr. Juric’s annual base salary as of March 31, 2024, and target annual incentive compensation, payable under the Change in Control Agreement with Mr. Juric.
- (3) Reflects monthly payments of health benefit premiums over a period of 12 months, payable under the Severance Plan.
- (4) Reflects monthly payments of health benefit premiums over a period of 18 months, payable under the Change in Control Agreement with Mr. Juric.

**Director Compensation**

The non-employee director’s RSUs were cancelled on the Effective Date in connection with Emergence.

The director fee schedule for the 2024 Fiscal Year remained unchanged from the previous fiscal year. The director cash retainer was \$35,000, the Chair of the Board additional cash retainer was \$25,000, and the director equity retainer was \$50,000. The Audit Committee Chair retainer was \$17,000, the Compensation and Human Capital Committee Chair retainer was \$15,000, and the Governance and Sustainability Committee Chair retainer was \$10,000. Each non-employee director who served on the Audit Committee received an \$8,000 annual retainer. Each non-employee director who served on the Compensation and Human Capital and the Governance and Sustainability Committees received a \$5,000 annual retainer. Non-employee directors may elect to receive shares of Common Stock in lieu of any cash retainer, based on the fair market value of Common Stock on the date that cash would have otherwise been paid. All payments are paid quarterly in arrears. If requested, all director expenses incurred in attending the Board or committee meetings are reimbursed by the Company.

On the Effective Date, the Board adopted a new director compensation policy. Pursuant to the revised director compensation policy, each non-executive director will receive an annual base retainer of \$75,000, payable in cash on a quarterly basis. The Audit Committee chair will receive an additional annual retainer of \$17,000 and each other Audit Committee member will receive an additional annual retainer of \$8,000. The Compensation and Human Capital Committee chair will receive an annual retainer of \$15,000 and each other Compensation and Human Capital Committee member will receive an additional annual retainer of \$6,000. The Governance and Sustainability Committee chair will receive an additional annual retainer of \$10,000 and each other Governance and Sustainability Committee member will receive an additional annual retainer of \$6,000. Non-executive directors will also receive an annual grant of \$10,000 of restricted stock units, commencing with the 2024 annual meeting of stockholders. On January 22, 2024, the Board approved a policy providing for the grant of 10,000 RSU’s to each new director appointed on or prior to December 7, 2024.

Mr. Canino, the Company’s President and Chief Executive Officer did not receive compensation for serving as a member of the Board. Mr. Flexon is not included in the below table as he was an employee of the Company for a portion of Fiscal 2024. See “—2024 Summary Compensation Table” for information about the compensation earned by Mr. Flexon in Fiscal 2024 in his capacity as both a non-employee director and Executive Chairman and Interim Chief Executive Officer and President of the Company. The Company uses its fiscal year in reporting compensation rather than the term

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of the Board. Compensation amounts may differ between the Company’s fiscal year and the term of the Company’s Board. Information about the compensation of the non-employee directors for the 2024 Fiscal Year is set forth in the table below.

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Total (\$)
John P. Miller (4)	978	10,500	11,478
Yon Y. Jordan	68,000	35,869	103,869
Robert F. Powelson	61,000	35,869	96,869
Denise M. Wilson	66,000	35,869	101,869
Ping Fu	59,000	35,869	94,869
Robert Flexon(3)	—	—	—

- (1) For each term of the Board (beginning on the date of an annual meeting of stockholders and ending on the date immediately preceding the next annual meeting of stockholders), a non-employee director may elect to receive a stock award in lieu of all or any portion of his or her annual retainer or committee fee cash payment. The award is calculated by dividing the amount of the fee by the fair market value of a share of common stock on the date the fee is payable. For the 2024 Fiscal Year, due to limited share pool availability, 100% of the amount of the aggregate directors’ fees was paid in cash.
- (2) This column represents the aggregate grant date fair value of stock awards granted during the 2024 Fiscal Year calculated in accordance with FASB ASC Topic 718, excluding the estimated impact of forfeitures related to service-based vesting conditions. For a discussion of valuation assumptions, see Note 9— Permanent Equity to the Notes to Consolidated Financial Statements.
- (3) Please see the 2024 Summary Compensation Table for disclosure regarding Mr. Flexon’s director compensation in the 2024 Fiscal Year.
- (4) Mr. Miller’s fees are prorated for services on the Board and Audit Committee. Mr. Miller received 10,000 RSUs.

**Non-GAAP Measures Reconciliation**

Because we disclose Adjusted EBITDA in connection with the disclosure regarding the AIP targets, we have provided the below reconciliation of net income (loss) to Adjusted EBITDA:

<b>Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA</b>	<b>Period Ended</b>	
	<b>March 31,</b>	
<i>(In thousands)</i>	<b>2024 (1)</b>	
Net income (loss)	\$	(7,026)
Interest expense		1,147
Provision for income taxes		—
Depreciation and amortization		1,336
EBITDA	\$	(4,543)
Stock-based compensation and other expense		1,670
Non-recurring legal/consulting		2,713
Severance		—
Executive bonus		—
Adjusted EBITDA	\$	(160)

- (1) Adjusted EBITDA calculation for purposes of the Post-emergence AIP Plan was for the period from Emergence, December 7, 2023 to March 31, 2024.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The table below sets forth certain information as of September 24, 2024 (unless otherwise indicated) regarding beneficial ownership of our common stock and non-voting common stock by: (1) each director, nominee for director and NEO of the Company; (2) all directors and executive officers as a group; and (3) each person known by the Company to be the beneficial owner of more than 5% of the outstanding common stock of the Company. As of September 24, 2024, there were 18,540,789 shares of common stock and 508,475 shares of non-voting common stock outstanding. Except as otherwise indicated, the beneficial owners listed below have sole voting and investment power with respect to all shares owned by them, except to the extent such power is shared by a spouse under applicable law. The information provided in the table below is based on the Company's records, information filed publicly with the SEC and other information provided to the Company.

Name and Address of Beneficial Owner**(1)	Common Stock		Non-Voting Common Stock (3)		% of Combined Total Voting Power
	Number of Shares	% of Shares	Number of Shares	% of Shares	
<b>Stockholders Beneficially Owning More Than 5%</b>					
<i>Non-Management</i>					
AIGH Capital Management, LLC(2)	1,800,000	9.7 %	—	*	9.7 %
<b>Named Executive Officers and Directors</b>					
Darren R. Jamison	—	*	—	*	*
John J. Juric	—	*	114,560	22.5 %	*
Vince J. Canino	—	*	—	*	*
Robert C. Flexon	61,798	0.3 %	60,795	12.0 %	0.3 %
Yon Y. Jordan	74,197	0.4 %	60,795	12.0 %	0.4 %
Robert F. Powelson	51,560	0.3 %	60,795	12.0 %	0.3 %
Denise M. Wilson	48,928	0.3 %	60,795	12.0 %	0.3 %
Ping Fu	30,372	0.2 %	60,795	12.0 %	0.2 %
John P. Miller	—	*	—	*	*
All directors, director nominees and executive officers as a group (8 persons)	266,855	1.4 %	418,535	82.3 %	1.4 %

\* Less than one percent.

\*\* Unless otherwise indicated, the address of each person listed is c/o Capstone Green Energy Holdings, Inc., 16640 Stagg Street, Van Nuys, California 91406.

- (1) In computing the number of shares beneficially owned by an individual and the percentage ownership of that individual, shares of common stock and shares of non-voting common stock held by that individual that are currently exercisable, or will become exercisable within 60 days from September 24, 2024, are deemed outstanding. In addition, shares underlying RSUs that will vest within 60 days from September 24, 2024, are deemed outstanding. Percentage of combined total voting power excludes our non-voting common stock, any shares of non-voting common stock underlying options held by that individual that are currently exercisable, or will become exercisable within 60 days from September 24, 2024, or any shares of non-voting common stock underlying RSUs that will vest within 60 days from September 24, 2024, as our non-voting common stock is non-voting.
- (2) AIGH Capital Management, LLC ("AIGH") filed a Schedule 13G on September 29, 2023 reporting beneficial ownership, as of September 28, 2023, of the number of shares reflected in the above table. AIGH reported having sole voting power and sole dispositive power over 1,800,000 shares of common stock. The business address of AIGH is 6006 Berkeley Avenue, Baltimore, MD 21209.
- (3) Excludes \$0.4 million step-up expense for the respective individuals who received non-voting common stock.

**Stock Ownership Guidelines** The Board has established stock ownership guidelines applicable to senior executives (including the NEOs) and non-employee directors in order to further align the interests of executives and directors with the interests of stockholders. These ownership guidelines provide that the subject persons should own common stock equal in value to a multiple of their annual salary (or, in the case of directors, their annual retainer) as follows:

Chief Executive Officer	4 times annual base salary
Executive Vice Presidents	2 times annual base salary
Senior Vice Presidents and other NEOs	1 times annual base salary
Non-employee members of the Board	4 times annual retainer

Covered persons are expected to hold the specified amount of stock within five years from the later of the date of Emergence or the date they become subject to the ownership guidelines. The Board will continue to monitor progress towards the achievement of the ownership guidelines.

**Clawbacks** On the Effective Date, the Company adopted the Executive Officer Incentive Compensation Recoupment (Clawback) Policy in accordance with Rule 10D-1 of the Exchange Act (the “Clawback Policy”). The Clawback Policy applies to incentive-based compensation that is granted, earned or vested based wholly or in part upon the attainment of a financial reporting measure and requires the Company to recover Erroneously Awarded Compensation (as defined below) from covered executive officers in the event that the Company is required to prepare an Accounting Restatement (as defined below) (except in certain limited circumstances). Current and former covered executive officers of the Company are subject to the Clawback Policy regardless of whether such covered executive officers engaged in misconduct or otherwise caused or contributed to the requirement for an Accounting Restatement.

“Erroneously Awarded Compensation” means, in the event of an accounting restatement, the amount of incentive-based compensation previously received by covered executive officers that exceeds the amount of incentive-based compensation that otherwise would have been received had it been determined based on the restated amounts in such accounting restatement, and must be computed without regard to any taxes paid by the relevant covered executive officer, provided, however, that for Incentive-Based Compensation based on stock price or total stockholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement: (i) the amount of Erroneously Awarded Compensation must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total stockholder return upon which the Incentive-Based Compensation was received, and (ii) the Company must maintain documentation of the determination of that reasonable estimate and, if the Company’s common stock is then listed on a national securities exchange, provide such documentation to such national securities exchange.

“Accounting Restatement” means an accounting restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under U.S. federal securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or to correct an error that is not material to the previously issued financial statements, but that would result in a material misstatement if the error were corrected or left uncorrected in the current period.

**Anti-Hedging Policy** The Company’s insider trading policy prohibits directors, officers, employees, contractors and consultants (and their family members, including spouses, minor children or any other family members living in the same household) from engaging in short sales of the Company’s common stock prohibited by Section 16 of the Exchange Act, i.e., sales of shares which the insider does not own at the time of sale, or sales of common stock against which the insider does not deliver the shares within 20 days after the sale involving the Company’s securities, including the Company’s common stock, options or warrants. The insider trading policy further prohibits the buying or selling puts, calls, other derivative securities of the Company or any derivative securities that provide the economic equivalent of ownership of any of the Company’s securities or an opportunity, direct or indirect, to profit from any change in the value of the Company’s securities or engage in any other hedging transaction with respect to the Company’s securities.

**Anti-Pledging Policy** The Company’s insider trading policy also states that no covered person may pledge Company securities as collateral for a loan (or modify an existing pledge).



**Compliance** The responsibilities and authority of the Compensation and Human Capital Committee are set forth in its charter, which is intended to set forth best practices for compensation. The members of the Compensation and Human Capital Committee are all “independent directors,” as defined under Nasdaq rules. Equity incentive awards are granted by the Compensation and Human Capital Committee in a manner that is intended to satisfy Rule 16b-3 under the Exchange Act.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table sets forth information regarding securities authorized for issuance under equity compensation plans as of March 31, 2024:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, vesting of restricted stock units & rights	Weighted-average exercise price of outstanding options and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity Compensation Plans Approved by Securityholders	—	\$ —	—
Equity Compensation Plans Not Approved by Securityholders	460,000	—	2,540,000
<b>Total</b>	<b>460,000</b>	<b>\$ — (2)</b>	<b>2,540,000 (1)</b>

(1) These shares are available for stock options, restricted stock, RSUs, PRSUs and other awards under the 2023 Plan.

(2) The weighted-average exercise price does not take into account RSUs and PRSUs as there is no exercise price associated with RSUs and PRSUs.

*Capstone Green Energy Holdings, Inc. 2023 Equity Incentive Plan*

In connection with the Emergence, on December 7, 2023, the Capstone Green Energy Holdings, Inc. 2023 Equity Incentive Plan (the “Incentive Plan”) was approved and adopted by the Capstone Green Energy Holdings, Inc. Board. The Incentive Plan is intended to, among other things, (i) attract and retain the types of employees, consultants and directors who will contribute the Company’s long-term success, (ii) provide incentives that align the interests of employees, consultants and directors with those of the stockholders of the Company, and (iii) promote the success of the Company’s business. The Incentive Plan was not approved by the Company’s stockholders.

The Incentive Plan is administered by the Capstone Green Energy Holdings, Inc. Compensation and Human Capital Committee or the Board. No more than 3,000,000 shares of New Common Stock are available for the grant of awards under the Incentive Plan. The Company intends to issue equity awards to incentivize employees whose unvested equity awards were terminated in accordance with the Plan.

The aggregate value of awards granted during a single fiscal year to any non-employee director, together with any cash fees paid or to be paid to such non-employee director during the fiscal year and the value of awards granted to such non-employee director under any other equity compensation plan of the Company during the fiscal year, will not exceed a total value of \$300,000.

The Capstone Green Energy Holdings, Inc. Board at any time, and from time to time, may amend or terminate the Incentive Plan. However, (i) in some situations, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy any applicable laws, and (ii) rights under any award granted before an amendment shall not be impaired by any amendment without the grantee’s written.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

#### **Certain Relationships and Related Transactions**

The Audit Committee has adopted written policies and procedures regarding related party transactions. The policies and procedures require that the Audit Committee, whose members are all independent directors, review and approve all related party transactions where the amount involved is in excess of \$120,000. Any proposed related party transaction where the amount involved is \$120,000 or less may be approved by the Chair of the Audit Committee or, in applicable situations, the Chief Compliance Officer. This review covers any material transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we were or are to be a participant, and a related person had or will have a direct or indirect material interest, including, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person. A “related person” is any person who is or was one of our executive officers, directors or director nominees or is a holder of more than 5% of our common stock, or their immediate family members or any entity owned or controlled by any of the foregoing persons. In determining whether to approve or ratify a related party transaction, the Audit Committee considers, among other factors, whether the related party transaction is on terms no more favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, the extent of the related person’s interest in the transaction and, in the case of directors and officers, whether the provisions of Section 144 of the Delaware General Corporation Law have been met. Any director who is a related person with respect to a transaction under review may not participate in the discussion or approval of the transaction.

We describe below the transactions and series of similar transactions, since April 1, 2022, to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years; and
- any of our directors, executive officers, holders of more than 5% of our capital stock or any member of their immediate family had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control, and other arrangements with directors and executive officers.

#### *Capstone Distributor Support System*

The Distributor Support System (the “DSS program”) provides additional support for distributor business development activities, customer lead generation, brand awareness and tailored marketing services for each of Capstone’s major geographic and market verticals. This program is funded by Capstone’s distributors and was developed to provide improved worldwide distributor training, sales efficiency, website development, company branding and funding for increased strategic marketing activities. Upon emerging from Chapter 11 bankruptcy, Capstone Green Energy Corporation legally became DSS; all contracts were novated to Capstone Green Energy LLC along with the transfer of operating assets, except for the distributor services as those assets remained with DSS. As a result, DSS assumed the responsibility of providing the services, making DSS obligated to perform the distributor services. DSS is responsible for making available regularly scheduled Authorized Service Provider (“ASP”), applications, and/or sales training and support for the distributor’s business development activities. The agreement includes the fee, which is the greater of 5% of distributor’s prior calendar year revenue or \$20,000.

#### **Director Independence and Board Structure**

The Board is committed to having a sound governance structure that promotes the best interests of all of the Company’s stockholders. To that end, the Board has evaluated and actively continues to examine emerging corporate governance trends and best practices. Stockholder perspectives play an important role in that process. The following are the key aspects of the Company’s governance structure:

- The Board is predominantly independent. Of our seven directors, one (our President and Chief Executive Officer) is an employee of the Company. Further, the Board has affirmatively determined that all six of our other directors are independent under SEC and Nasdaq corporate governance rules, as applicable.

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- Our board committees are comprised exclusively of independent directors.
- Our independent directors meet in executive session at every regularly scheduled board and committee meeting.
- We have separated the roles of Chair of the Board and Chief Executive Officer. Our Chair focuses on board oversight responsibilities, strategic planning, setting board agendas and mentoring company officers, as well as facilitating communications between the Board and management. Mr. Flexon served as both Chairman and Interim President and Chief Executive Officer from August 22, 2023 until March 10, 2024, following the departure of our former President and Chief Executive Officer Darren Jamison and in order to lead the Company through its bankruptcy and financial restructuring.
- Our Board is very active and our directors are engaged. As noted above, each of our directors attended more than 75% of the 2024 Fiscal Year board meetings and meetings of the committees on which such director served.

We believe our Board structure serves the interests of stockholders by balancing board continuity and the promotion of long-term thinking with the need for director accountability.

**Item 14. Principal Accounting Firm Fees and Services.**

The table below provides information concerning fees for services rendered by our current principal independent registered public accounting firm, Marcum, for the audit of our annual consolidated financial statements for the fiscal years ended March 31, 2024 and March 31, 2023. All fees described below were pre-approved by the Audit Committee.

Description of Fees	Amount of Fees	
	2024	2023
Audit Fees	\$ 587,100	\$ 1,312,735
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	\$ 587,100	\$ 1,312,735

**Audit Fees** These fees were primarily for professional services rendered by Marcum in connection with the audit of the Company's Consolidated Annual Financial Statements and reviews of the interim Consolidated Financial Statements included in the Company's quarterly reports on Form 10-Q for the first three fiscal quarters of the 2024 Fiscal Year and the 2023 Fiscal Year, respectively. The fees also relate to Marcum's comfort letters and consents related to SEC filings. Finally, of the total amount for Fiscal 2023 \$406,850 pertained to fees incurred in connection with the restatement of our March 31, 2022 and 2021 consolidated annual financial statements.

**Pre-approval Policies and Procedures**

Our Audit Committee has adopted a procedure for pre-approval of all fees charged by our independent auditors. Under the procedure, the Audit Committee pre-approves all auditing services and the terms thereof and non-audit services (other than non-audit services prohibited under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the Public Company Accounting Oversight Board) to be provided to the Company by the independent auditors. Such pre-approval requirement is waived with respect to the provision of non-audit services for the Company if the "de minimis" provisions of Section 10A(i)(1)(B) of the Exchange Act are satisfied. This authority to pre-approve non-audit services may be delegated to one or more members of the Audit Committee, who must present any decision to pre-approve an activity to the full Audit Committee at its first meeting following such decision.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

*(a) 1. and 2. Financial statements and financial statement schedule*

The financial statements and notes are listed in the Index to Consolidated Financial Statements on page F-77 of this Form 10-K. Financial statement schedules not included in this Form 10-K have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

*3. Exhibits*

The exhibits filed as part of this Form 10-K are set forth on the Exhibit Index immediately preceding the signatures of this Form 10-K. The Exhibit Index is incorporated herein by reference.

**Item 16. Form 10-K Summary.**

Not applicable.

**CAPSTONE GREEN ENERGY HOLDINGS, INC.**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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Consolidated Financial Statements:	
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Financial statement schedules not included in this Form 10-K have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of  
Capstone Green Energy Holdings, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Capstone Green Energy Holdings, Inc. and Subsidiaries (the "Company") as of March 31, 2024 and 2023, the related consolidated statements of operations, temporary equity and stockholders' deficiency and cash flows for each of the two years in the period ended March 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

### **Explanatory Paragraph – Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant operating losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

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

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

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

### **Critical Audit Matter**

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

***Net Realizable Value of Inventories***

*Description of the Matter*

The Company's inventories totaled approximately \$24.6 million as of March 31, 2024. In addition, approximately \$3.9 million of inventories were classified as long-term on the Company's consolidated balance sheet. As described in Note 2 to the consolidated financial statements, management values inventories at the lower of cost (determined on a first-in-first-out basis) or net realizable value. In determining this estimate, the Company will both (a) perform a monthly analysis to compare the previous 36-month usage of its inventories to the current quantities on hand and (b) judgmentally review their inventories for any non-recurring adjustments that may be necessary based on their knowledge of the business. Changes in the assumptions used could have a significant impact on the net realizable value of inventories.

The principal considerations for our determination that performing procedures relating to the net realizable value of inventories is a critical audit matter are (i) the significant judgement required by management when determining the net realizable value; and (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's estimate and significant assumptions in determining the net realizable value.

*How We Addressed the Matter*

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included:

- Obtained an understanding of the Company's financial reporting processes in place to estimate the net realizable value of inventories
- Compared the assumptions made by management in evaluating its slow moving or obsolete goods to prior years to ensure such estimates and policies have remained consistent;
- Tested management's calculation and significant assumptions made in determining its current year net realizable value of inventories, which included substantively testing the inventory usage and movement used in such calculations;
- Performed an independent sensitivity analysis to determine whether or not material differences in the net realizable value of inventories existed if management were to use a different look-back time period in their calculation; and
- Performed a retrospective analysis of the Company's net realizable value of inventories by comparing the Company's historical write-downs in prior periods to the actual current period usage and movement.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2017

Los Angeles, CA  
September 26, 2024

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

<b>Assets</b>	<b>March 31, 2024</b>	<b>March 31, 2023</b>
<b>Current Assets:</b>		
Cash	\$ 2,085	\$ 12,839
Accounts receivable, net of allowances of \$3,287 at March 31, 2024 and \$4,813 at March 31, 2023	6,552	7,102
Inventories	20,642	37,328
Prepaid expenses and other current assets	5,449	7,447
Total current assets	<u>34,728</u>	<u>64,716</u>
Property, plant, equipment and rental assets, net	25,854	24,275
Finance lease right-of-use assets	4,391	4,529
Operating lease right-of-use assets	12,279	8,808
Non-current portion of inventories	3,917	3,112
Other assets	3,037	2,591
Total assets	<u>\$ 84,206</u>	<u>\$ 108,031</u>
<b>Liabilities, Temporary Equity and Stockholders' Deficiency</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 18,212	\$ 30,290
Accrued salaries and wages	1,220	1,223
Accrued warranty reserve	1,437	1,576
Deferred revenue	11,183	23,372
Finance lease liability, current	964	773
Operating lease liability, current	4,041	2,492
Factory protection plan liability	7,259	10,844
Term note payable, current	—	50,983
Exit new money notes, net of discount, current	28,911	—
Total current liabilities	<u>73,227</u>	<u>121,553</u>
Deferred revenue, non-current	675	817
Finance lease liability, non-current	2,300	2,903
Operating lease liability, non-current	8,527	6,588
Other non-current liabilities	264	265
Total liabilities	<u>84,993</u>	<u>132,126</u>
Commitments and contingencies (Note 14)		
Temporary equity:		
Redeemable noncontrolling interests	<u>13,859</u>	<u>—</u>
Stockholders' deficiency:		
Preferred stock, \$.001 par value; 1,000,000 shares authorized; none issued	—	—
Common stock, \$.001 par value; 59,400,000 shares authorized, 18,540,789 shares issued and outstanding at March 31, 2024; 51,500,000 shares authorized, 18,511,555 shares issued and 18,394,541 shares outstanding at March 31, 2023	18	18
Non-voting common stock, \$.001 par value; 600,000 shares authorized, 508,475 shares issued and outstanding at March 31, 2024; 0 shares issued and outstanding at March 31, 2023	1	—
Additional paid-in capital	955,145	955,228
Accumulated deficit	(969,810)	(977,202)
Treasury stock, at cost; 0 shares at March 31, 2024 and 117,014 shares at March 31, 2023	—	(2,139)
Total stockholders' deficiency	<u>(14,646)</u>	<u>(24,095)</u>
Total liabilities, temporary equity and stockholders' deficiency	<u>\$ 84,206</u>	<u>\$ 108,031</u>

See accompanying notes to consolidated financial statements.



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

	<b>Year Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Revenue, net:		
Product and accessories	\$ 49,107	\$ 35,033
Parts, service and rentals	42,112	38,849
Total revenue, net	91,219	73,882
Cost of goods sold:		
Product and accessories	51,259	39,938
Parts, service and rentals	25,676	24,880
Total cost of goods sold	76,935	64,818
Gross profit	14,284	9,064
Operating expenses:		
Research and development	2,463	2,376
Selling, general and administrative	32,175	25,148
Total operating expenses	34,638	27,524
Loss from operations	(20,354)	(18,460)
Other income (expense)	674	(33)
Interest income	110	141
Reorganization items, net	32,505	—
Interest expense	(5,529)	(6,163)
Income (loss) before provision for income taxes	7,406	(24,515)
Provision for income taxes	14	7
Net income (loss)	7,392	(24,522)
Net income (loss) per share of common stock and non-voting common stock—basic and diluted	\$ 0.39	\$ (1.43)
Weighted average shares used to calculate basic and diluted net income (loss) per common stock and non-voting common stock	18,753	17,206

See accompanying notes to consolidated financial statements.

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

	Temporary Equity		Permanent Equity				Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Deficiency
	Redeemable Noncontrolling Interest		Common Stock		Non-Voting Common Stock				Shares	Amount	
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, March 31, 2022	—	\$ —	15,398,368	\$ 15	—	\$ —	\$ 946,969	\$ (952,583)	101,633	\$ (2,088)	\$ (7,687)
Vested restricted stock units	—	—	124,104	—	—	—	52	—	15,381	(51)	1
Issuance of common stock, net of issuance costs	—	—	2,934,498	3	—	—	7,247	—	—	—	7,250
Stock awards to Board of Directors	—	—	54,585	—	—	—	—	—	—	—	—
Deemed dividend on purchase warrant for common shares	—	—	—	—	—	—	97	(97)	—	—	—
Stock-based compensation	—	—	—	—	—	—	863	—	—	—	863
Net loss	—	—	—	—	—	—	—	(24,522)	—	—	(24,522)
Balance, March 31, 2023	—	—	18,511,555	18	—	—	955,228	(977,202)	117,014	(2,139)	(24,095)
Vested restricted stock units	—	—	61,474	—	—	—	14	—	12,501	(15)	(1)
Stock awards to Board of Directors	—	—	97,275	—	—	—	—	—	—	—	—
Cancellation of Capstone Green Energy Corporation stock	—	—	(18,670,392)	(18)	—	—	(2,154)	—	(129,515)	2,154	(18)
Issuance of Capstone Green Energy Holdings, Inc. stock	—	—	18,540,877	18	—	—	—	—	—	—	18
Issuance of non-voting stock	—	—	—	—	508,475	1	—	—	—	—	1
Redeemable noncontrolling interests	10,449,863	13,859	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	2,057	—	—	—	2,057
Net income	—	—	—	—	—	—	—	7,392	—	—	7,392
Balance, March 31, 2024	<u>10,449,863</u>	<u>\$ 13,859</u>	<u>18,540,789</u>	<u>\$ 18</u>	<u>508,475</u>	<u>\$ 1</u>	<u>\$ 955,145</u>	<u>\$ (969,810)</u>	<u>—</u>	<u>\$ —</u>	<u>\$ (14,646)</u>

See accompanying notes to consolidated financial statements.

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

	Year Ended March 31,	
	2024	2023
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ 7,392	\$ (24,522)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	3,988	3,177
Amortization of financing costs and discounts	53	68
Paid-in-kind interest expense	1,957	—
Non-cash lease expense	3,431	1,330
Provision for credit loss expense	439	4,277
Inventory write-down	779	961
Provision for warranty expenses	32	592
Stock-based compensation	2,057	863
Non-cash reorganization items, net	(35,255)	—
Changes in operating assets and liabilities:		
Accounts receivable	(571)	4,060
Inventories	15,382	(11,521)
Prepaid expenses, other current assets and other assets	871	(1,210)
Accounts payable and accrued expenses	(8,754)	5,660
Operating lease liability, net	(3,413)	(1,304)
Accrued salaries and wages and long-term liabilities	15	77
Accrued warranty reserve	(171)	(499)
Deferred revenue	(12,305)	8,373
Factory protection plan liability	(3,585)	1,674
Net cash used in operating activities	(27,658)	(7,944)
<b>Cash Flows from Investing Activities:</b>		
Expenditures for property, plant, equipment and rental assets	(4,674)	(8,222)
Net cash used in investing activities	(4,674)	(8,222)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from debtors-in-process facility	12,000	—
Proceeds from three-year term note	3,000	—
Proceeds from exit new money note	7,000	—
Debt issuance costs	(244)	—
Repayment of finance lease obligations	(178)	(804)
Net proceeds from issuance of common stock and warrants	—	7,250
Net cash provided by financing activities	21,578	6,446
Net decrease in Cash	(10,754)	(9,720)
Cash, Beginning of Period	12,839	22,559
Cash, End of Period	\$ 2,085	\$ 12,839
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid during the period for:		
Interest	\$ 1,620	\$ 5,701
Income taxes	\$ 14	\$ 13
<b>Supplemental Disclosures of Non-Cash Information:</b>		
Acquisition of property and equipment through accounts payable	\$ —	\$ 29
Renewal of insurance contracts financed by notes payable	\$ 648	\$ 665
Deemed dividend	\$ —	\$ 97
Right-of-use assets obtained in exchange for lease obligations	\$ 7,348	\$ 8,170
Settlement of lease obligations with accounts receivable due	\$ 502	\$ —
Conversion of inventory to rental assets	\$ 280	\$ —
Conversion of prepaid expenses to rental assets	\$ 623	\$ —
Paid-in-kind debt discount in connection with the three-year term note	\$ 500	\$ —

See accompanying notes to consolidated financial statements.

**CAPSTONE GREEN ENERGY HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Business and Organization**

Capstone Green Energy Holdings, Inc., along with its consolidated operating subsidiary Capstone Green Energy LLC (“Capstone,” “We” or the “Company”) (f/k/a Capstone Turbine International, Inc.) is a provider of customized microgrid solutions, on-site resilient Energy-as-a-Service (“EaaS”) solutions, and on-site energy technology systems focused on helping customers around the globe solve the “Energy Trilemma” of resiliency, sustainability, and affordability. These solutions include stationary distributed power generation applications and distribution networks, including cogeneration (combined heat and power (“CHP”), integrated combined heat and power (“ICHP”), and combined cooling, heat and power (“CCHP”), renewable energy, natural resources, and critical power supply. The Company’s inverter-based technologies solve resiliency by being able to seamlessly connect to the electric grid or be the backbone of a localized microgrid. The Company’s Energy Conversion Products business line is driven by the Company’s industry-leading, highly efficient, low-emission, resilient microturbine energy systems offering scalable solutions in addition to a broad range of customer-tailored solutions. Through the EaaS business line the Company offers build, own, operate and maintain (“BOOM”) as well as energy rental solutions utilizing the Company’s microturbine energy systems. The Company offers comprehensive factory protection plan service contracts that limit life-cycle costs, as well as providing aftermarket spare parts. The Company’s emerging business line is Hydrogen Energy Solutions. Through the Hydrogen Energy Solutions business line, the Company offers customers the ability to run on hydrogen blended fuel source. Because these are still emerging offerings, Hydrogen Energy Solutions revenue has been immaterial to date.

Historically, the business described above was conducted by Capstone Green Energy Corporation, which was organized in 1988 and has been commercially producing its microturbine generators since 1998. In connection with emergence from the Chapter 11 Cases (as defined below), Capstone Green Energy Corporation was reorganized pursuant to the Transaction Support Agreement dated September 28, 2023 by and among the Debtors (as defined below), Goldman Sachs Specialty Lending Group, L.P. and Broad Street Credit Holdings LLC (the “TSA”) and became a privately-held company that continues to own the Retained Assets (as defined below). Capstone Turbine International, Inc., a former wholly owned subsidiary of Capstone Green Energy Corporation, which was incorporated in Delaware on June 10, 2004, became a publicly-traded company and was renamed Capstone Green Energy Holdings, Inc. In addition, Capstone Green Energy LLC (the “Operating Subsidiary”) was formed as a result of the Plan of Reorganization (the “Plan”). Refer to Note 3— Chapter 11 Proceedings and Emergence for more detail.

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

These Consolidated Financial Statements refer to the Company’s fiscal years ended March 31 as its “Fiscal” year.

**Basis of Presentation** The accompanying Consolidated Financial Statements are presented in United States (“U.S.”) dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities Exchange Commissions (“SEC”).

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

**Noncontrolling Interests in Consolidated Operating Subsidiary** Noncontrolling interests in the Company’s consolidated Operating Subsidiary represent the equity interests held by a related party. Refer to Note 3— Chapter 11 Proceedings and Emergence for details on the formation of the Operating Subsidiary. The noncontrolling interests in the consolidated Operating Subsidiary are redeemable and are presented as temporary equity in the Company’s Consolidated Balance Sheet. Refer to Note 10— Temporary Equity for details of the noncontrolling interests. The Company uses the hypothetical liquidation at book value (“HLBV”) method to attribute the earnings of the consolidated Operating Subsidiary between the controlling and noncontrolling interests. Under the HLBV method, the amounts reported as noncontrolling interests in the consolidated Operating Subsidiary on the Consolidated Balance Sheets represent the amounts the noncontrolling interests would hypothetically receive at each balance sheet reporting date under the liquidation provisions of the governing agreements assuming the net assets of the consolidated Operating Subsidiary were liquidated at recorded

amounts and distributed between the controlling and noncontrolling interests in accordance with the governing documents. The net income attributable to noncontrolling interests in the Operating Subsidiary on the Consolidated Statements of Operations is associated with the increase or decrease in the noncontrolling interest holders' contractual claims on the respective entities' balance sheets assuming a hypothetical liquidation at the end of that reporting period when compared with their claims on the respective entities' balance sheets assuming a hypothetical liquidation at the beginning of that reporting period, after removing the impact of any contributions or distributions. Separately, the Company will also determine whether an adjustment should be recorded to remeasure the redemption feature attached to the Preferred Units to their maximum redemption value through retained earnings. Refer to Note 10 — Temporary Equity for details on remeasuring the redemption value of the Preferred Units.

Prior to the emergence from bankruptcy, the Company recorded a gain on debt extinguishment, as detailed in Note 3— Chapter 11 Proceedings and Emergence, of \$35.3 million, within Reorganization items, net on the Company's Consolidated Statement of Operations, which resulted in net income of \$7.4 million during the year ended March 31, 2024. Therefore, the Company did not allocate earnings to the Operating Subsidiary as of March 31, 2024, as the Company incurred a net loss after the Effective Date (as defined below) and the noncontrolling interest owners hold a liquidation preference that protects the holder from absorbing losses.

**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 results of operations. The Company reclassified certain revenue stream and cost of goods sold on the Consolidated Statements of Operations for the year ended March 31, 2023 to conform to the presentation of the current year. The reclassification has not materially impacted the Company's financial statements and did not result in a change in total revenue, net income or cash flows from operations for the years presented.

**Bankruptcy Accounting** The Consolidated Financial Statements included herein have been prepared as if the Company were a going concern and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 852— *Reorganizations* ("ASC 852"). See Note 3— Chapter 11 Proceedings and Emergence for further details regarding the bankruptcy. At emergence from Chapter 11, the Company evaluated the criteria to apply fresh-start accounting under ASC 852 and determined that pre-petition shareholders maintained control of the Company following the restructuring transactions contemplated within the Company's Plan. As the pre-petition shareholders did not lose control, fresh-start accounting did not apply and the existing carrying values and activities continued as the reporting entity did not change. In addition, the Company has classified all income, expenses, gains or losses that were incurred or realized as a result of the proceedings since filing for Chapter 11 as Reorganization items, net in the Company's Consolidated Statements of Operations.

**Cash Equivalents** The Company considers only those investments that are highly liquid and readily convertible to cash with original maturities of three months or less at the date of purchase as cash equivalents.

**Fair Value of Financial Instruments** The carrying value of certain financial instruments, including cash equivalents, accounts receivable, accounts payable, revolving credit facility and notes payable approximate fair market value based on their short-term nature. See Note 11— Fair Value Measurements, for disclosure regarding the fair value of other financial instruments.

**Trade Accounts Receivable and Allowance for Credit Loss** On April 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13, Topic No. 326— *Credit Loss, Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss ("CECL"). The CECL model applies to financial assets measured at amortized cost, including accounts receivable. Under the CECL model, the Company identifies allowances for credit losses based on future expected losses when accounts receivable are created rather than when losses are probable.

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

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events that occurred, 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.

On a quarterly basis, in accordance with ASC 326, the Company evaluates the collectability of outstanding accounts receivable balances to determine an allowance for credit loss that reflects its best estimate of the lifetime expected credit losses.

Changes in the CECL allowance for accounts receivable are as follows (in thousands):

Balance, March 31, 2022	\$	586
Provision for credit losses		4,277
Write-offs		(50)
Balance, March 31, 2023	\$	4,813
Provision for credit losses		439
Write-offs		(1,965)
Balance, March 31, 2024	\$	3,287

**Inventories** The Company values inventories at the lower of cost (determined on a first in, first out ("FIFO") basis) or net realizable value. The composition of inventory is routinely evaluated to identify slow-moving, excess, obsolete or otherwise impaired inventories. Inventories identified as impaired are evaluated to determine if write-downs are required. Included in the assessment is a review for obsolescence as a result of engineering changes in the Company's products. All inventories expected to be used in more than one year are classified as long-term.

**Depreciation and Amortization** Depreciation and amortization are provided for using the straight-line method over the estimated useful lives of the related assets, ranging from two to ten years. Leasehold improvements are amortized over the remaining lease term or the estimated useful lives of the assets, whichever is shorter. Intangible assets that have finite useful lives are amortized over their estimated useful lives using the straight-line method.

**Long-Lived Assets** The Company reviews the recoverability of long-lived assets, including intangible assets with finite lives, whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If the expected future cash flows from the use of such assets (undiscounted and without interest charges) are less than the carrying value, the Company may be required to record a write-down, which is determined based on the difference between the carrying value of the assets and their estimated fair value.

**Deferred Revenue** Deferred revenue consists of deferred product and service revenue and customer deposits. Deferred revenue will be recognized when earned in accordance with the Company's revenue recognition policy. The Company has the right to retain all or part of customer deposits under certain conditions.

**Temporary Equity** Where common or preferred shares are determined to be conditionally redeemable upon the occurrence of certain events that are not solely within the control of the Company, and upon such event, the shares would become redeemable at the option of the holders, they are classified as temporary equity ("mezzanine equity"), outside permanent equity. The purpose of this classification is to convey that such a security may not be permanently part of equity and could result in a demand for cash, securities or other assets of the entity in the future. If the events are such that the shares are probable of becoming redeemable, then the Company will adjust the shares to reflect the maximum redemption value at the end of the reporting period.

**Revenue** 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

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- 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.

*Accessories* The Company recognizes revenue when performance obligations identified under the terms of contracts with its customers are satisfied, which generally occurs, for accessories, upon the transfer of control in accordance with the contractual terms and conditions of the sale.

*Parts and Services* Revenue from extended warranties and post-shipment performance obligations is recognized when or as those obligations are satisfied. The Company primarily offers assurance-type standard warranties that do not represent separate performance obligations and will separately offer and price extended warranties that are separate performance obligations for which the associated revenue is recognized over-time 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. The Company extends payment terms past one year only on a limited basis, and thus any financing component is not considered material.

*Factory Protection Plan and Service Cost Reimbursement* In addition to the provision of standard warranties, the Company offers Factory Protection Plans ("FPP") 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 30-day, FPP contract period with automatic renewals for 5, 10, 15, or 20 years under ASC 606. The related costs are accrued at the time a customer submits an order, and the order's compliance with the terms of the plan are confirmed, for a replacement part to reflect the Company's obligation. The accrual reflects the Company's best estimate of the probable liability under the replacement part obligation. The provision is periodically adjusted to reflect actual experience. FPP contracts typically go into effect once the standard warranty expires.

Comprehensive factory protection plan 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 treated as a contract liability and are classified in deferred revenue in the Consolidated Balance Sheets. Once control transfers to the customer and the Company meets the revenue recognition criteria, the deferred revenue is recognized in the Consolidated Statement of Operations. The

deferred revenue relating to the annual maintenance service contracts is recognized in the Consolidated Statement of Operations on a straight-line basis over the expected term of the contract.

Some FPPs offer labor reimbursement on the labor performed on a microturbine system. Due to the nature of the arrangement, labor reimbursements are accounted for under ASC 460. 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 FPPs 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 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.

#### **Significant Judgments - Contracts with Multiple Performance Obligations**

The Company enters into contracts with its customers that often include promises to transfer multiple products, parts, accessories, FPP 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 service contracts are distinct, the Company considers the following factors for each FPP and 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 FPP and services contracts included in contracts with multiple performance obligations are distinct.

The Company allocates the transaction price to each performance obligation on a relative standalone selling price ("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 is 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 uses 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.



## Practical Expedients

The Company applies a practical expedient to expense costs as incurred for costs to obtain a contract when the amortization period would have been one year or less. These costs are recorded within sales and marketing expenses in the accompanying Consolidated Statement of Operations.

**Warranty** 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 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 2024 and 2023.

**Income Taxes** Deferred income tax assets and liabilities are computed for differences between the consolidated financial statement and income tax basis of assets and liabilities. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to periods in which the differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amounts expected to be realized.

ASC Topic 740-10, *Income Taxes* ("ASC 740"), clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with U.S. GAAP. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as interest and other expense, net in the Consolidated Statements of Operations.

**Contingencies** The Company records an estimated loss from a loss contingency when information available prior to issuance of its financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**Risk Concentrations** Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. At March 31, 2024, the majority of our cash balances were held at financial institutions located in California. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to certain limits. Balances that exceed the insurance coverage aggregate to approximately \$1.4 million as of March 31, 2024. The Company places its cash with high credit quality institutions. The Company performs ongoing credit evaluations of its customers and maintains an allowance for potential credit losses.

Sales to Cal Microturbine and E-Finity Distributed Generation ("E-Finity") accounted for 16% and 13%, respectively, of the Company's revenue for Fiscal 2024. Sales to E-Finity and RSP Systems accounted for 12% and 11%, respectively, of the Company's revenue for Fiscal 2023. Additionally, Supernova and CES accounted for 14% and 11% of net accounts receivable as of March 31, 2024, respectively, and E-Finity accounted for 12% of net accounts receivable as of March 31, 2023.

Certain components of the Company's products are available from a limited number of suppliers. An interruption in supply could cause a delay in manufacturing, which would affect operating results adversely.

**Estimates and Assumptions** The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include accounting for accounts receivable allowances for credit losses, stock-based compensation, inventory write-downs, valuation of equity and long-lived assets including intangible assets with finite lives, product warranties, income taxes and other contingencies. Actual results could differ from those estimates.

**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) per share 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 as the effect would have been anti-dilutive if the Company incurred a loss. In addition, the change in the carrying value of the redeemable controlling interests are excluded from the calculation of diluted earnings per share.

As a result of the cancellations to these instruments on the Effective Date of the Plan, the Company did not have any outstanding stock options or warrants at March 31, 2024. There was no change in the carrying value of the redeemable controlling interests for the year ended March 31, 2024 as the carrying value equaled the fair value at issuance.

**Stock-Based Compensation** Stock-based awards exchanged for services are accounted for under the fair value method. Accordingly, stock-based compensation cost is measured at the grant date based on the estimated fair value of the award. The expense for awards is recognized over the requisite service period (generally the vesting period of the award). The Company has elected to treat awards with only service conditions and with graded vesting as one award. Consequently, the total compensation expense is recognized straight-line over the entire vesting period, so long as the compensation cost recognized at any date at least equals the portion of the grant date fair value of the award that is vested at that date. The Company has elected to account for forfeitures as they occur.

**Leases** Arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the Consolidated Balance Sheet as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term or life of the asset based on the classification of the lease. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term.

In calculating the right-of-use asset and lease liability, the Company elected to combine lease and non-lease components and elected not to recognize right-of-use assets and lease liabilities for short-term leases having initial terms of twelve months or less and recognizes rent expense on a straight-line basis over the lease term.

**Going Concern** In connection with the preparation of these Consolidated Financial Statements for the fiscal year ended March 31, 2024, 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 became due for the next twelve months from the date of issuance of its Fiscal 2024 Consolidated Financial Statements. As of March 31, 2024, the Company had cash of \$2.1 million and a working capital deficit of \$38.5 million. The Company incurred a loss from operations of \$20.4 million and used cash from operating activities of \$27.7 million during Fiscal 2024.

On September 28, 2023, the Company filed for a prepackaged financial restructuring with its Senior Lender, Goldman Sachs under the U.S. Chapter 11 Bankruptcy laws, as further discussed in Note 3— Chapter 11 Proceedings and Emergence in the Notes to Consolidated Financial Statements. The Company emerged from Bankruptcy on December 7, 2023 and effected a financial and organizational restructuring. However, given its current cash position, lack of liquidity, limits to accessing capital and debt funding options, and current economic and market risks, there is 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 March 31, 2024.

**Segment Reporting** The Company determines its reporting units in accordance with FASB ASC Topic No. 280, *Segment Reporting* ("ASC 280"). The Company evaluates a reporting segment by first identifying its operating segments

under ASC 280. Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker (“CODM”) to allocate resources and assess performance. The Company defines its CODM to be the Chief Executive Officer. The Company is considered to be a single reporting segment. The business activities of this reporting segment are the development, manufacture and sale of turbine generator sets and their related parts and services.

### ***Impact of Recently Issued Accounting Standards***

#### *Adopted*

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments* (Topic 326). The amendments in this ASU provide guidance for estimating credit losses on certain types of financial instruments, including trade receivables, by introducing an approach based on expected losses. The expected loss approach will require entities to incorporate considerations of historical information, current information and reasonable forecasts. With certain exceptions, the transition to the new guidance will be through a cumulative effect adjustment to opening accumulated deficit as of the beginning of the first reporting period in which the guidance is adopted. On April 1, 2023, the Company adopted Topic 326. The standard required entities to record a cumulative-effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. The adoption did not have a material impact on its financial statements and no adjustment was made to retained earnings.

#### *Not Yet Adopted*

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting: Improvements to Reportable Segment Disclosures* (Topic 280). This update applies to all public entities that are required to report segment information in accordance with Topic 280. The amendments in this update revise reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in this update do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The standard should be applied retrospectively to all prior periods presented in the financial statements. The Company is in the process of assessing the effect adoption will have on its annual consolidated financial statement disclosure.

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. The Company is in the process of evaluating the impact that the adoption of this ASU will have on the consolidated financial statements and related disclosures, which is expected to result in enhanced disclosures.

### **3. Chapter 11 Proceedings and Emergence**

#### *Voluntary Filing under Chapter 11*

*Plan of Reorganization*— On September 28, 2023 (the “Petition Date”), Capstone Green Energy Corporation and its wholly owned direct subsidiaries, Capstone Turbine International, Inc. and Capstone Turbine Financial Services, LLC (the “Debtors”) filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). The Chapter 11 proceedings were jointly administered under the caption, *In re Capstone Green Energy Corporation, Inc., et al.* as Case No. 23-11634 (the “Chapter 11 Cases”). The Debtors continued to operate their business in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. At hearings before the Bankruptcy Court on September 29, 2023, the Debtors obtained approval from the Bankruptcy Court of certain “first day” motions containing customary relief intended to assure the Debtors’ ability to continue their ordinary course operations during the Chapter 11 Cases. As a result, from the Petition Date through December 7, 2023 (the “Effective Date” and “Emergence”), the Debtors operated as a debtor-in-possession (“DIP”) under the protection of the U.S. Bankruptcy Court following filings by the Debtors of voluntary petitions for relief under Chapter 11 the Bankruptcy Code in the Bankruptcy Court.

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Concurrent with the petition, the Debtors entered into the TSA with the pre-petition senior secured creditor, Broad Street Credit Holdings, LLC. (“Broad Street”), and Goldman Sachs Specialty Lending Group, L.P. (the “Collateral Agent”). The TSA, among other things, provided that Broad Street and the Collateral Agent would support the Debtors’ restructuring efforts as set forth in, and subject to the terms and conditions of, the TSA. The TSA contained customary conditions, representations, and warranties of the parties and is subject to a number of conditions, including, among others, the accuracy of the representations and warranties of the parties and compliance with the obligations set forth in the TSA. The TSA also provided for termination by the parties upon the occurrence of certain events.

*Overview of the Plan*— On September 28, 2023, Capstone Green Energy Corporation and its Debtor Affiliates (the “Debtors”) filed their Joint Prepackaged Chapter 11 Plan of Reorganization (the “Plan”) and Disclosure Statement. Subsequent updates and supplements were filed, leading to a combined Court hearing on November 13, 2023, for approval of the Disclosure Statement and Plan. The Plan was confirmed on November 14, 2023, and became effective on December 7, 2023, when the Company emerged from Chapter 11.

The following is a summary of certain provisions of the Plan that became effective on December 7, 2023, and is not intended to be a complete description of the Plan. The following summary is qualified in its entirety by reference to the full text of the Plans (including the Plan Supplement).

- All of the Capstone Green Energy Corporation’s assets and liabilities (other than the equity of Capstone Turbine International, Inc., the impaired pre-petition secured claim (the “Pre-Petition Secured Claim”) and DIP Notes issued pursuant to the DIP Note Purchase Agreement, dated as of October 2, 2023 (as has been amended, restated, modified, supplemented or replaced from time to time, the “DIP NPA”), and specific assets and liabilities directly related to the distributor support services activities (referred to in the Plan as “Retained Assets” and defined in Note 14— Commitments and Contingencies) and tax attributes were transferred to a new subsidiary called Capstone Green Energy LLC (the “Operating Subsidiary”);
- Capstone Turbine International, Inc. contributed all assets to the Operating Subsidiary;
- The Operating Subsidiary issued the preferred units, representing 37.5% equity ownership, and common units, representing 62.5% equity ownership, to Capstone Green Energy Corporation;
- Capstone Green Energy Corporation contributed all common units of the Operating Subsidiary to Capstone Turbine International, Inc. providing a 62.5% equity ownership in the Operating Subsidiary;
- Capstone Turbine International, Inc. became a public company and was renamed Capstone Green Energy Holdings, Inc. and became the successor to Capstone Green Energy Corporation for purposes of Securities and Exchange Commission registration, and is the successor with respect to any claims against, or interest in, Capstone Green Energy Corporation and any Debtor subsidiary; provided that, for the avoidance of doubt Capstone Turbine International, Inc. is not the successor to Capstone Green Energy Corporation for United States federal, state or local income tax purposes, and is not the successor to Capstone with respect to the employment of the directors, officers, and employees of the Debtors or relating to any employment obligations;
- Capstone Green Energy Corporation became a private company (the “Reorganized PrivateCo”) that continued to own the Retained Assets and the preferred units of the Operating Subsidiary and has no liabilities relating to, arising under or in connection with any claims against, or interest in, any Debtor;
- The holder of the \$57 million Pre-Petition Secured Claim and purchaser DIP Claim (defined term as described below), received one hundred percent (100%) of the equity interests in Reorganized PrivateCo in exchange for agreed-upon portions of such Claims;
- Existing shareholders of Capstone Green Energy Corporation received one hundred (100%) percent of the common stock of Capstone Green Energy Holdings, Inc., subject to any dilution from any stock issued pursuant to the employee incentive stock plan, including the shares of non-voting common stock issued to certain key employees and directors;
- Reorganized PrivateCo and the Operating Subsidiary entered into a Reorganized PrivateCo Services Agreement (the “Reorganized PrivateCo Services Agreement”) with respect to ongoing support for the Retained Assets of Reorganized PrivateCo.

*DIP Note Purchase Agreement*— On October 3, 2023, the Debtors entered into a super-priority senior secured debtor-in-possession note purchase agreement (the “DIP Note Purchase Agreement”) with Broad Street and the Collateral Agent. Under this agreement, Broad Street provided a \$30 million DIP Facility, consisting of \$12 million in new money

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DIP notes and an \$18 million roll-up of pre-petition debt. The Debtors filed a motion on September 28, 2023, seeking the Bankruptcy Court's approval for this DIP Facility.

On October 2, 2023, the Bankruptcy Court granted the DIP Motion and entered an interim order (the "Interim DIP Order") approving the DIP Facility on an interim basis and providing the Debtors with the necessary liquidity to continue to operate in Chapter 11. Upon entry of the Interim DIP Order and satisfaction of all applicable conditions precedent, as set forth in the DIP Note Purchase Agreement, the Debtors were authorized to make a single, initial draw of \$9.0 million on the DIP Facility (the "Initial Draw"). The remaining \$3.0 million of the DIP Facility became available to be drawn by the Debtors on November 13, 2023, after the Bankruptcy Court entered the Final DIP Order (the "Final Order"). The amount was drawn by the Debtors on October 24, 2023, after the entry of the Final Order and compliance with the terms, conditions, and covenants to be set forth in the DIP Note Purchase Agreement. Substantially all of the Debtors' assets were encumbered by first-priority liens of the purchaser under the DIP Note Purchase Agreement. Pursuant to the terms of the Plan, on the Effective Date, the obligations of Reorganized PrivateCo to the DIP NPA, were cancelled and converted into an Exit Facility (the "Exit Note Purchase Agreement").

*Treatment of claims*

- Secured Tax Claims, Other Secured Claims, Other Priority Claims were unimpaired, expected to be paid in full during the course of the bankruptcy proceedings, or reinstated to be paid in full after Emergence.
- General Unsecured Claims were unimpaired and received cash in the amount of such allowed claim as of the Effective Date or during the ordinary course of business following such date.
- Pre-Petition Secured Claim was impaired and received in full satisfaction and discharge of the holder's claim the pro rata amount (pro rata along with the DIP Claims) of Reorganized PrivateCo equity and the indirect ownership of the Operating Subsidiary preferred units issued to Reorganized PrivateCo.
- DIP Claim received in full satisfaction, settlement, release and discharge of such claim the pro rata amount (pro rata along with Pre-Petition Secured Claim) of Reorganized PrivateCo equity and the indirect ownership of the Operating Subsidiary preferred units issued to Reorganized PrivateCo, and exit financing roll-over notes issued at Emergence, which is referred to as part of the Exit Note Purchase Agreement detailed below.
- Equity Interests were impaired and deemed to reject the Plan. Each shareholder in Capstone Green Energy Corporation received its pro rata share of 100% of Capstone Green Energy Holdings, Inc., subject to dilution for the executive stock plans. The shares in Capstone Green Energy Corporation, including any warrants, restricted stock or similar contractual equity rights thereto were cancelled and terminated and received no other distribution of value.

*Nasdaq Delisting of Common Stock*— Effective at the opening of the trading session on October 5, 2023, the Company's common stock was suspended from trading on the Nasdaq Capital Market. Effective October 23, 2023, the Company's common stock was delisted from the Nasdaq Capital Market.

*Basis of Presentation*— Effective on the Petition Date, the Company applied accounting standards applicable to reorganizations, ASC 852, in preparing the accompanying Consolidated Financial Statements as of and for the year ended March 31, 2024, which requires the financial statements, for periods subsequent to the commencement of the Chapter 11 Cases, to distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain charges related to the Chapter 11 Cases were recorded as Reorganization items, net in the accompanying Consolidated Financial Statement of Operations. All pre-petition obligations of the Debtors that were impacted by the Chapter 11 Cases that were previously classified as Liabilities Subject to Compromise ("LSTC") were resolved at Emergence.

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*Gain on Extinguishment of Debt at Emergence*— In accordance with ASC 470, *Debt*, on December 7, 2023, the Company recognized a gain on extinguishment of debt that was recorded in Reorganization items, net in the accompanying Consolidated Financial Statement of Operations. The components of the gain were as follows (in thousands):

Pre-petition senior secured principal	\$	53,000
Accrued interest and fees on pre-petition senior secured principal		3,953
Additional New Money DIP Notes		12,000
DIP commitment fee		600
DIP PIK interest (post-petition interest)		755
New Money Exit Notes		3,000
Fair value of Preferred Units of Operating Subsidiary exchanged		(13,859)
Fair value of Exit Notes and net retained assets		(24,106)
Total gain from debt extinguishment	\$	<u>35,343</u>

The Net Operating Losses (the “NOLs”) that were provided through the transfer of ownership of Capstone Green Energy Corporation, which held all of the tax attributes, including the NOLs had a full valuation allowance against them and did not have any value to Capstone Green Energy Corporation immediately prior to the Effective Date. Refer to Note 8— Income Taxes for additional information.

*Fresh-Start Applicability*— On December 7, 2023, the Company evaluated the criteria to apply fresh-start accounting under ASC 852 and determined the pre-petition shareholders maintained control of the Company during and after the reorganization and did not lose control as a result of the reorganization. As pre-petition shareholders did not lose control, fresh-start did not apply and historical activities and balances remained at carrying value. At Emergence, the restructured debt was treated as a debt extinguishment and the shareholders’ equity was revised to reflect the new common stock of Capstone Green Energy Holdings, Inc.

*Reorganization Items*— Reorganization items represent the direct and incremental costs related to the Company’s Chapter 11 cases, such as professional fees, pre-petition liability claim adjustments and losses that are probable and can be estimated, net of interest income earned on accumulated cash during the Chapter 11 process and net gains on the sale of assets or resulting from certain settlement agreements related to the Company’s restructuring activities. The Company’s restructuring activities resulted in additional charges and other adjustments for expected allowed claims (including claims that may be subsequently allowed by the U.S. Bankruptcy Court) and other reorganization items that were material to the Company’s financial position or results of operations during the period.

The table below lists the components of reorganization items for Fiscal 2024 (in thousands):

Professional fees	\$	(2,750)
Adjustment of debt to approved claim		512
DIP commitment fee		(600)
Gain on debt extinguishment		35,343
Total reorganization items, net	\$	<u>32,505</u>

*Interest Expense*— Interest expense related to pre-petition LSTC was reported only to the extent that it was paid during the pendency of the Chapter 11 cases or was permitted by orders of the U.S. Bankruptcy Court. Contractual interest (at non-default rates) owed to unrelated parties on pre-petition LSTC not reflected on the Company’s Consolidated Financial Statements was \$1.4 million incurred from the periods of October 1, 2023, through December 7, 2023.

*Liabilities Subject to Compromise*— Liabilities subject to compromise refers to pre-petition obligations which may be impacted by the Chapter 11 reorganization process. At the Effective Date the Company no longer had amounts classified as LSTC, as the pre-petition liabilities the Company anticipated would be allowed as claims in the Chapter 11 Cases were resolved in connection with the Chapter 11 Cases. As a result, the accompanying Consolidated Balance Sheet as of March 31, 2024, does not include amounts classified as LSTC.

#### 4. Inventories

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

	March 31, 2024	March 31, 2023
Raw materials	\$ 23,779	\$ 26,745
Finished goods	780	13,695
Total	24,559	40,440
Less: non-current portion	(3,917)	(3,112)
Total inventory, net non-current portion	\$ 20,642	\$ 37,328

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 repair 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 March 31, 2024 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	\$ 2,106
25 to 36 months	1,811
Total	\$ 3,917

#### 5. Property, Plant, Equipment and Rental Assets

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

	March 31, 2024	March 31, 2023
Machinery, equipment, automobiles and furniture	\$ 14,921	\$ 14,760
Leasehold improvements	8,889	8,868
Molds and tooling	3,476	3,516
Rental assets	31,762	26,868
	59,048	54,012
Less: accumulated depreciation	(33,194)	(29,737)
Total property, plant, equipment and rental assets, net	\$ 25,854	\$ 24,275

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 \$4.0 million and \$3.2 million for Fiscal 2024 and 2023, respectively. Inventory converted to rental assets during Fiscal 2024 was \$0.3 million. Depreciation expense recorded to cost of sales during Fiscal 2024 and 2023, was \$3.8 million and \$3.1 million, respectively.

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

	March 31, 2024	March 31, 2023
Balance, beginning of the period	\$ 1,576	\$ 1,483
Standard warranty provision	32	592
Deductions for warranty claims	(171)	(499)
Balance, end of the period	<u>\$ 1,437</u>	<u>\$ 1,576</u>

## 7. Revenue Recognition

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

	Year Ended March 31,	
	2024	2023
Microturbine Products	\$ 47,787	\$ 33,196
Accessories	1,320	1,837
Total Product and Accessories	<u>49,107</u>	<u>35,033</u>
Parts and Service	30,681	30,684
Rentals	11,431	8,165
Total Revenue	<u>\$ 91,219</u>	<u>\$ 73,882</u>

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

	Year Ended March 31,	
	2024	2023
United States	\$ 54,574	\$ 45,071
Mexico	5,070	2,990
All other North America	1,278	1,412
Total North America	<u>60,922</u>	<u>49,473</u>
Russia	—	3,045
All other Europe	18,333	11,553
Total Europe	<u>18,333</u>	<u>14,598</u>
Asia	3,137	3,251
Australia	4,746	2,840
All other	4,081	3,720
Total Revenue	<u>\$ 91,219</u>	<u>\$ 73,882</u>

Substantially all of the Company's operating assets are in the United States.



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**Contract Balances**

The Company's deferred revenues consist of advance payments for microturbine products, parts, accessories and parts ordered under FPP contracts, but not yet delivered (contract liabilities), as well as advance payments on service obligations and extended warranties. The current portion of deferred revenue is included in Deferred revenue and the non-current portion of deferred revenue is included in Deferred revenue, non-current in the Consolidated Balance Sheets.

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

	March 31, 2024	March 31, 2023
Opening balance, beginning of the year	\$ 24,189	\$ 15,816
Closing balance, end of the year	\$ 11,858	\$ 24,189
Revenue recognized during the year from:		
Amounts included in deferred revenue at the beginning of the year	\$ 16,527	\$ 13,026

Deferred revenue attributed to FPP 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 March 31, 2024, approximately \$4.7 million of revenue is expected to be recognized from remaining performance obligations for FPP contracts. The Company expects to recognize revenue on approximately \$4.0 million of these remaining performance obligations over the next 12 months and the balance of \$0.7 million will be recognized thereafter.

The Distributor Support System (the "DSS program") provides additional support for distributor business development activities, customer lead generation, brand awareness and tailored marketing services for each of the Company's major geographic and market verticals. This program is funded by the distributors and was developed to provide improved worldwide distributor training, sales efficiency, website development, company branding and funding for increased strategic marketing activities. DSS program revenue is generally paid quarterly with revenue recognized on a straight-line basis over a calendar year period. Deposits are primarily non-refundable cash payments from distributors for future orders. Refer to Note 14 – Commitments and Contingencies — Related Party Transactions, in the Notes to Consolidated Financial Statements for information regarding Reorganized PrivateCo's distributor services business transition connected to the Company's emergence from the Chapter 11 Cases.

**8. Income Taxes**

Income (loss) before provision for income taxes consisted of the following for the years ended March 31, 2024 and 2023 (in thousands):

	Year Ended March 31,	
	2024	2023
United States	\$ 7,357	\$ (24,560)
Foreign	49	45
Income (loss) before provision for income taxes	\$ 7,406	\$ (24,515)

Current income tax provision is the amount of income taxes reported or expected to be reported on the Company's income tax return. The provision for current income taxes was \$14,000 and \$7,000 for the years ended March 31, 2024 and 2023, respectively. The current income taxes were related to state income taxes. The Company did not have current federal income taxes for the fiscal years ended March 31, 2024 and 2023.

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Actual income tax expense differed from the amount computed by applying statutory corporate income tax rates to loss from operations before income taxes. A reconciliation of income tax expense to the federal statutory rate follows (in thousands):

	Year Ended March 31,	
	2024	2023
Federal income tax benefit at the statutory rate	\$ 1,556	\$ (5,148)
State taxes, net of federal effect	(609)	(1,837)
Expiring NOLs and tax credits	—	10,156
Redeemable noncontrolling interest	973	—
Impact of Chapter 11 reorganization, net	147,838	—
Impact of state rate change	—	107
Valuation allowance	(153,075)	(3,532)
Shortfall in tax benefit—stock compensation	—	262
True-up	3,326	(5)
Other	5	4
Income tax expense	<u>\$ 14</u>	<u>\$ 7</u>

The Company's deferred tax assets and liabilities consisted of the following at March 31, 2024 and 2023 (in thousands):

	Year Ended March 31,	
	2024	2023
Deferred tax assets:		
Inventories	\$ —	\$ 3,456
Warranty reserve	—	3,140
Bad debt reserve	—	1,217
Deferred revenue	—	2,385
NOL carryforwards	144	126,180
Tax credit carryforwards	—	12,686
Depreciation, amortization and impairment loss	—	496
Lease liability	—	2,113
Interest limitation	—	6,330
Other	—	1,279
Deferred tax assets	144	159,282
Valuation allowance for deferred tax assets	(96)	(153,171)
Deferred tax assets, net of valuation allowance	48	6,111
Deferred tax liabilities:		
Investment in Partnership	(48)	—
Depreciation, amortization and impairment loss	—	(3,998)
Right-of-use assets	—	(2,113)
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

As previously discussed, the Company emerged from bankruptcy on December 7, 2023 and effected a financial and organizational restructuring in accordance with the Plan. The Company's non-recurring restructuring activities resulted in a significant change in the components of the Company's deferred tax assets and liabilities as of March 31, 2024.

Elements of the Plan provided that certain secured and unsecured debt that the Company held was exchanged for 18,540,877 shares of common stock of Capstone Green Energy Holdings, Inc., par value \$0.001 per share (the "New Common Stock") and 10,449,863 Series A Redeemable Preferred Units (the "Preferred Units"). Absent an exception, a debtor recognizes cancellation of indebtedness income ("CODI") upon discharge of its outstanding indebtedness equal to the excess of the adjusted issue price of the cancelled debt over the amount of consideration received in satisfaction of such debt. The Internal Revenue Code ("IRC") of 1986, as amended, provides that a debtor in a Chapter 11 bankruptcy case may exclude CODI from taxable income but must reduce certain of its tax attributes by the amount of any CODI realized as a result of the consummation of a plan of reorganization. The amount of CODI realized by a taxpayer is

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determined based on the fair market value of the consideration received by the creditors in settlement of outstanding indebtedness. As a result of the market value of equity upon emergence from bankruptcy, the estimated amount of CODI is approximately \$35.3 million, which reduced some of the value of the Company's NOL carryover prior to reorganization. Any remaining tax attributes after attribute reduction remained with Capstone Green Energy Corporation, the Reorganized Private Co, and are no longer a part of Capstone Green Energy Holdings, Inc.'s (the successor) tax attributes.

Due to the uncertainty surrounding the timing of realizing the benefits of favorable tax attributes in future income tax returns, the Company has placed a valuation allowance against its net deferred income tax assets. The change in valuation allowance for fiscal years ended March 31, 2024 and 2023 was \$153.1 million and \$3.5 million, respectively. The decrease was primarily attributable to the impact of the Plan reorganization.

The Company's NOL for federal and state income tax purposes at March 31, 2024 were as follows (in thousands):

	Amount	Expiration Period
Federal NOL	\$ 595	Indefinite
State NOL	\$ 151	2044

IRC Section 382 ("Section 382") limits the use of NOL and tax credit carryforwards when changes occur in the capital stock ownership of the Company. Any annual limitation may result in the expiration of NOL and credits before utilization. Should the Company have an ownership change, utilization of the NOL and carryforwards could be significantly reduced. The Company is not expected to utilize NOL and tax credit carryforwards in the near term, and this does not have a material impact on the Company's financial statements due to the full valuation allowance.

ASC 740 clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. ASC 740 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting interim periods, disclosure and transition. Based on management's evaluation, the total amount of unrecognized tax benefits related to research and development credits as of March 31, 2024 and 2023 was zero and \$1.9 million, respectively. There were no interest or penalties related to unrecognized tax benefits as of March 31, 2024 or March 31, 2023. The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of March 31, 2024 and March 31, 2023 was zero and \$1.9 million, respectively. However, this impact would be offset by an equal increase in the deferred tax valuation allowance as the Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty of future realization. The fully reserved recognized federal and state deferred tax assets related to research and development credits balance as of March 31, 2024 and 2023 was zero and \$5.0 million, and zero and \$5.7 million, respectively.

As part of the reorganization, the research and development credits remained with Capstone Green Energy Corporation, the Reorganized Private Co. As such, there are no remaining unrecognized tax benefits as of March 31, 2024.

A reconciliation of the beginning and ending amount of total gross unrecognized tax benefits is as follows (in thousands):

Balance at March 31, 2022	\$ 1,898
Lapse of statute of limitations	(42)
Balance at March 31, 2023	\$ 1,856
Gross decrease due to Chapter 11 reorganization	(1,856)
Balance at March 31, 2024	\$ —

The Company does not expect a material change to its unrecognized tax benefits over the next twelve months.

The Company files income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. When applicable, the Company accounts for interest and penalties generated by tax contingencies as interest and other expense, net in the Consolidated Statement of Operations.

## 9. Permanent Equity

The following table summarizes, by Consolidated Statements of Operations line item, stock-based compensation expense (in thousands):

	Year Ended March 31,	
	2024	2023
Cost of goods sold	\$ 139	\$ 37
Research and development	93	97
Selling, general and administrative	1,825	729
Stock-based compensation expense	<u>\$ 2,057</u>	<u>\$ 863</u>

### 2017 and 2023 Equity Incentive Plans

#### *Capstone Green Energy Corporation 2017 Equity Incentive Plan*

In June 2017, the Company's Board of Directors (the "Board") adopted the Capstone Green Energy Corporation 2017 Equity Incentive Plan, as amended (the "2017 Plan"), which was approved by the stockholders at the Company's 2017 annual meeting of stockholders on August 31, 2017 (the "2017 Annual Meeting"). The 2017 Plan provided for 3,400,000 aggregate number of shares of Common Stock authorized for issuance under the 2017 Plan.

Shares available for future grants and all outstanding unvested equity awards under the 2017 Plan were cancelled on the Effective Date in accordance with the Plan. The Company recorded \$2.1 million of stock-based compensation expense for the acceleration of cancelling the unvested forfeited awards.

#### *Capstone Green Energy Holdings, Inc. 2023 Equity Incentive Plan*

In connection with the Emergence, on December 7, 2023, the Capstone Green Energy Holdings, Inc. 2023 Equity Incentive Plan (the "Incentive Plan") was approved and adopted by the Capstone Green Energy Holdings, Inc. Board. The Incentive Plan is intended to, among other things, (i) attract and retain the types of employees, consultants and directors who will contribute the Company's long-term success, (ii) provide incentives that align the interests of employees, consultants and directors with those of the stockholders of the Company, and (iii) promote the success of the Company's business.

The Incentive Plan is administered by the Capstone Green Energy Holdings, Inc. Compensation and Human Capital Committee or the Board. No more than 3,000,000 shares of New Common Stock are available for the grant of awards under the Incentive Plan. The Company intends to issue equity awards to incentivize employees whose unvested equity awards were terminated in accordance with the Plan.

The aggregate value of awards granted during a single fiscal year to any non-employee director, together with any cash fees paid or to be paid to such non-employee director during the fiscal year and the value of awards granted to such non-employee director under any other equity compensation plan of the Company during the fiscal year, will not exceed a total value of \$300,000.

The Capstone Green Energy Holdings, Inc. Board at any time, and from time to time, may amend or terminate the Incentive Plan. However, (i) in some situations, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy any applicable laws, and (ii) rights under any award granted before an amendment shall not be impaired by any amendment without the grantee's written.

#### *Non-Voting Common Stock*

Capstone Green Energy Corporation, as the sole stockholder of Capstone Turbine International, Inc., approved Capstone Turbine International, Inc.'s Amended and Restated Certificate of Incorporation ("COI"), which provided designation of a new class of non-voting common stock with a par value of \$0.001 per share for Capstone Turbine International, Inc. The non-voting common stock are to be issued to certain key employees and directors of the Company. The intent of issuing the non-voting common share was to provide value to the employees and officers after the

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restructuring and substantial de-leveraging following the Company’s Chapter 11. The non-voting common stock do not have any voting rights on any matter on which stockholders of Capstone Green Energy Holdings, Inc. are entitled to vote. However, the non-voting common stock have the right to vote, separately or together with the common stock, on any amendments to the COI (including with respect to any changes to (i) the authorized number of shares of common stock or non-voting common stock or (ii) any preferences, rights or powers of the non-voting common stock). The number of authorized shares of non-voting common stock or common stock may be increased or decreased (but not below the number of such shares of non-voting common stock or common stock then outstanding, as applicable) by the affirmative vote of the holders of a majority of the common stock. All common stock and all non-voting common stock have the same rights and powers, rank equally (including upon any liquidation, dissolution or winding up of the Company), share ratably in any dividends and distributions, and are identical in all respects as to all other matters, other than as to voting rights. The holders of non-voting common stock may not transfer any such shares of non-voting common stock until the end of the period ending on the date that is twelve months immediately following the date of the COI (the “Lock-Up Period”), with certain exceptions as described in the COI. Each share of non-voting common stock will automatically upon transfer, convert into a share of common stock on a 1:1 basis.

Upon Emergence, a step-up in value was calculated as the maximum value the shares could have after considering a discount for lack of voting rights and the Lock-Up Period. On the Effective Date, \$0.5 million was recorded as a one-time compensation expense in the Company’s Consolidated Statement of Operations and within Additional paid-in capital (“APIC”) on the Company’s Consolidated Balance Sheet.

As of March 31, 2024, 508,475 shares of fully vested non-voting common stock were outstanding.

*Restricted Stock Units and Performance Restricted Stock Units*

All outstanding unvested equity awards as of the Effective Date under the Capstone Green Energy Corporation 2017 Equity Incentive Plan were cancelled on the Effective Date in accordance with the Plan. Through the new 2023 Plan, the Company intends to issue equity awards to incentivize employees whose unvested equity awards were terminated in accordance with the Plan.

The following table summarizes restricted stock unit and performance restricted stock unit (“PRSU”) activity during Fiscal 2024:

	Shares	Weighted Average Grant Date Fair Value
<b>Restricted Stock Units and Performance Restricted Stock Units</b>		
Non-vested restricted stock units outstanding at March 31, 2023	842,631	\$ 3.13
Granted	1,647,538	1.20
Vested and issued	(673,084)	1.08
Forfeited/cancelled	(1,357,085)	0.71
Non-vested restricted stock units outstanding at March 31, 2024	460,000	—
Restricted stock units expected to vest beyond March 31, 2024	460,000	\$ —

*Stockholder Rights Plan*

In connection with the Emergence and in accordance with the Plan, the NOL Rights Agreement was terminated and the obligations of the Company thereunder were discharged by order of the Bankruptcy Court.

*Warrants*

The warrants outstanding as of the Effective Date to purchase up to 3,763,860 shares of Reorganized Private Co. at various exercise prices for each series were cancelled on the Effective Date in accordance with the Plan.

## 10. Temporary Equity

### *Redeemable Preferred Units*

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

In connection with the bankruptcy proceedings, the TSA provided for the issuance of 10,449,863 Series A Redeemable Preferred Units of the newly formed subsidiary, the Operating Subsidiary 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 the sixth anniversary of the Effective Date, 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 will be 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 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 37.50% of the common units deemed outstanding. To the extent some, but not all of the Preferred Units are converted, the 37.50% 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 March 31, 2024.

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 (together, the “Features”). The Company recorded \$13.9 million, the initial fair value, as Temporary Equity on the Consolidated Balance Sheet as of March 31, 2024.

The fair value of \$1.33 per Preferred Unit at the respective dates below 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 model to price the call option, which includes the below variables. The enterprise value utilized by the Company in the OPM represents the value agreed upon by the parties involved the Chapter 11 Proceedings and Emergence as approved by the Bankruptcy Court:

	As of	
	March 31, 2024	December 7, 2023
Fair value of common units	\$ 1.15	\$ 1.15
Dividend yield	— %	— %
Volatility	93.0 %	92.5 %
Risk-free interest rate	4.2 %	4.1 %
Expected term	6.2 years	6.5 years

At each reporting period, the Company remeasures the redemption value of the Preferred Units and adjusts the carrying value to equal the maximum redemption value to retained earnings. There was no change in the carrying value of the convertible preferred stock units for the year ended March 31, 2024 as the carrying value equaled the redemption value.

## 11. Fair Value Measurements

The FASB has established a framework for measuring fair value using generally accepted accounting principles. 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:

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*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 Consolidated Balance Sheets for cash, accounts receivable and accounts payable approximate their fair values because of the immediate or short-term maturities of these financial instruments. Financial and nonfinancial 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 value the Preferred Units as detailed in Note 10— Temporary Equity. The fair value of the Company's Exit Notes on the date of issuance approximated their carrying value based on a comparable market yield analysis completed by the Company. As of March 31, 2024, the carrying value of the Exit Notes approximates their fair value.

## **12. Debt**

*Exit Facility Agreement*

In connection with the emergence from the Chapter 11 Cases, on the Effective Date, the DIP Facility converted to the Exit Note Purchase Agreement for an aggregated principal amount of \$28.0 million, including accrued and unpaid interest subject to the terms and conditions set forth in the Exit Note Purchase Agreement by and among the Operating Subsidiary, as the issuer, the Guarantors, Purchaser and the Collateral Agent (each as defined in the Exit Note Purchase Agreement). The Exit Note Purchase Agreement provides for:

- (i) a roll up of \$12.6 million DIP New Money Notes (plus any accrued unpaid interest);
- (ii) a roll up of \$8.0 million of DIP Roll Up Notes (plus any accrued unpaid interest) (collectively with the roll up of the \$12.6 million DIP New Money Notes, the "Exit Roll Up Notes"); and
- (iii) an additional \$7.0 million of Exit New Money Notes and together with the Exit Roll Up Notes, the "Notes", of which \$7.0 million was drawn, less \$0.2 million of debt issuance costs, as of March 31, 2024.

The Exit Note Purchase Agreement also provides for a \$10.0 million uncommitted incremental facility. The proceeds of the \$7.0 million of Exit New Money Notes were used to fund restructuring expenses and for working capital, for general corporate purposes and to pay interest, premiums, fees and expenses payable under the other Note Documents (as defined in the Exit Note Purchase Agreement). The Notes bear interest at a rate equal to the Adjusted Term SOFR (as

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defined in the Exit Note Purchase Agreement) plus 7.00% per annum. A portion of the interest on the Notes is paid-in-kind until the third year following the Effective Date.

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

The scheduled maturities of the Company's long-term debt are as follows as of March 31, 2024 (in thousands):

<b>Year Ending March 31,</b>	
2025	\$ —
2026	7,151
2027	21,760
2028	—
2029	—
Thereafter	—
<b>Total expected future maturities</b>	<b>\$ 28,911</b>

The Notes issued pursuant to the Exit Note Purchase Agreement are secured by a lien on substantially all of the present and future property and assets of 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.

On March 27, 2024, the Company obtained a waiver from the Purchaser and the Collateral Agent in anticipation of default on March 31, 2024. The waiver granted was specific to the \$1.0 million consolidated adjusted EBITDA covenant for the measurement date of March 31, 2024, and covered the period until June 30, 2024. There can be no assurance that the Purchaser and the Collateral Agent will waive any future defaults that may occur. If future 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 Notes. The Company believes it is probable the consolidated liquidity and consolidated adjusted EBITDA financial covenants discussed below will not be satisfied on September 30, 2024. The Company is working to secure a waiver of the covenants or an amendment to the Exit Note Purchase Agreement with the senior lender, but no assurance can be given that such a waiver or amendment will be obtained. 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 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. Consequently, the Exit new money notes, net of discount were reclassified to current on the Company's Consolidated Balance Sheet as of March 31, 2024.

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:



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- (i) from September 30, 2024 to March 30, 2025, \$1,000,000;
- (ii) from March 31, 2025 to June 29, 2025, \$2,500,000;
- (iii) from June 30, 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.

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 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

As of March 31, 2024, the Company has outstanding debt of \$28.9 million, which includes the fully drawn \$7.0 million of the Exit New Money Notes, \$21.1 million of the DIP Claim (including the accrued interest of \$1.1 million) and \$1.0 million of total PIK interest, less debt issuance costs of \$0.2 million. Debt issuance costs in relation to the Exit New Money Notes and DIP Claim are being amortized over the term at an effective interest rate of 12.93% and 12.69%, respectively, as of March 31, 2024.

*Three-Year Term Note*

On February 4, 2019, the Company entered into a Note Purchase Agreement (as amended, the “Note Purchase Agreement”), by and among the Company, certain subsidiaries of the Company party thereto as guarantors, the Collateral Agent and any other purchasers party thereto from time to time (collectively, the “Purchaser”). On October 1, 2020, the Company entered into an Amended & Restated Note Purchase Agreement (the “A&R Note Purchase Agreement”). As of March 31, 2023, the Company had borrowings under the Note Purchase Agreement of \$51.0 million. The A&R Note Purchase Agreement contained a covenant, among others requiring the Company to have at all times a liquidity (the “Liquidity Covenant”) of at least \$9.0 million. On April 21, 2023, the Company breached the Liquidity Covenant when its total funds in accounts subject to account control agreements fell below \$9.0 million. On July 3, 2023, the Company failed to make an interest payment.

On July 6, 2023, the Company entered into a Fourth Amendment (the “Fourth Amendment”) to the A&R Note Purchase Agreement by and among the Company, certain subsidiaries of the Company, Goldman Sachs Specialty Lending Group, L.P. (as successor in interest to Goldman Sachs Specialty Lending Holdings, Inc.), as Collateral Agent and the purchaser party thereto (the “Purchaser”). The Fourth Amendment provides for (i) the waiver by the Purchaser and the Collateral Agent of the Company’s breach of the minimum consolidated liquidity covenant contained in the A&R Note Purchase Agreement, the failure to make the interest payment and certain other breaches specified therein; (ii) the extension of the maturity of the \$50 million aggregate principal amount of Notes outstanding pursuant to the A&R Note Purchase Agreement from October 1, 2023 to September 1, 2024; (iii) an amendment fee payable by the Company at maturity equal to 1.00% of the principal balance of the Notes on the effective date of the Fourth Amendment (the “Fourth Amendment

Effective Date”); (iv) a due date for the next interest payment on the date that is 30 days from the Fourth Amendment Effective Date, which interest payment was originally due on July 3, 2023; (v) following the Company’s entry into a TSA, the payment-in-kind of the quarterly interest payments that are due following the next the interest payment; (vi) a new minimum consolidated liquidity covenant requirement of \$4.0 million, commencing on July 14, 2023, which amount will increase to \$4.5 million on August 16, 2023 and to \$6.0 million on August 31, 2023; (vii) the replacement of the Adjusted LIBO Rate with a Term SOFR interest rate benchmark; (viii) the ability for the Collateral Agent to either (A) force a conversion of the interest rate benchmark to Base Rate or (B) impose default interest during an Event of Default; (ix) the right for one designated Collateral Agent board observer to attend the meetings of the Company’s Board of Directors (and committees thereof) in a non-voting capacity, subject to certain customary exceptions; and (x) the amendment to certain provisions of the A&R Note Purchase Agreement, including to add a number of new covenants. Those new covenants include requirements that the Company (i) enter into a TSA within 30 days of the Fourth Amendment Effective Date; (ii) subject to necessary stockholder approvals, execute and deliver, or reach agreement on substantially final versions of, the definitive documentation with respect of the transactions specified in the TSA in form and substance satisfactory to the Collateral Agent within 45 days after the Fourth Amendment Effective Date; (iii) close the transactions specified by the TSA by September 15, 2023; and (iv) provide a Section 382 analysis (i.e., an analysis relating to the potential limitation of the use of the Company’s net operating loss carryforwards due to ownership changes, which loss carryforwards the Company understands may be potentially valuable in one or more transaction structures) to the Collateral Agent on a quarterly basis. The Fourth Amendment also imposes restrictions on the Company’s ability to (i) pay professional fees for 30 days in excess of \$2,000,000 in the aggregate; (ii) make certain other cash disbursements in excess of thresholds set forth in the Fourth Amendment; and (iii) amend existing, or enter into new, employment agreements or pay or incur any bonus or severance payment.

On August 16, 2023, the Company entered into a Fifth Amendment (the “Fifth Amendment”) to the A&R Note Purchase Agreement by and among the Company, certain subsidiaries of the Company, the Collateral Agent and the Purchaser. The Fifth Amendment provides for (i) the waiver by the Purchaser and the Collateral Agent of the Company’s breach of a covenant contained in the A&R Note Purchase Agreement to enter into a TSA with one or more lenders in form and substance mutually satisfactory to the Collateral Agent and the Company within 30 days of the Fourth Amendment Effective Date and the failure to make an interest payment within 30 days of the Fourth Amendment Effective Date; (ii) a due date for the next interest payment on August 22, 2023 or such later date as is agreed to by the Collateral Agent in its sole discretion, which interest payment was originally due within 30 days Fourth Amendment Effective Date to the A&R Note Purchase Agreement; (iii) a minimum consolidated liquidity covenant requirement of \$3.5 million, commencing on July 14, 2023 and operative through September 1, 2024; and (iv) the amendment of the milestones with respect of the TSA to require that the Company (A) agree to the terms and form of the TSA (which may include a structure including bankruptcy proceedings) with one or more lenders in form and substance mutually satisfactory to the Collateral Agent and the Company by August 22, 2023 or such later date as is agreed to by the Collateral Agent in its sole discretion, (B) subject to any necessary stockholder approvals, execute and deliver, or reach agreement on substantially final versions of, the definitive documentation with respect of the transactions specified in the TSA in form and substance satisfactory to the Collateral Agent by August 31, 2023 or such later date as is agreed to by the Collateral Agent in its sole discretion, and (C) that the Company shall have closed the transactions specified by the TSA by September 15, 2023 or such later date as is agreed to by the Collateral Agent in its sole discretion.

On September 22, 2023, the Company entered into a Sixth Amendment (the “Sixth Amendment”) to the A&R Note Purchase Agreement among the Company, certain subsidiaries of the Company, the Collateral Agent and the purchaser. Pursuant to the Sixth Amendment, the Company issued and the Purchaser purchased for \$3,000,000 in cash additional senior secured notes on September 22, 2023 (the “Additional Notes”). The Additional Notes bear interest at the SOFR Rate plus 8.75% per annum, payable-in-kind on the last day of each interest period of one-, two-, three- or six-months (but, in the case of a six-month interest period, every three-months). The entire principal amount of the Additional Notes is due and payable on September 1, 2024 (the “Maturity Date”). The Additional Notes do not amortize and the entire principal balance is due in a single payment on the Maturity Date.

On the Petition Date, the principal balance of the A&R Note Purchase Agreement of \$53.0 million, including accrued interest of \$3.5 million and \$0.5 million of issuance costs, were classified as LSTC on the Company’s Consolidated Balance Sheet. The Company suspended accruing and paying interest and amortizing deferred financing costs, discounts and premiums, as applicable. During Fiscal 2024, \$18.0 million of the LSTC balance, including accrued interest of \$1.3

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million, was rolled up into the Debtor-in-Possession financing agreement and recorded within Exit new money notes, net, current on the Company's Consolidated Balance Sheet as of March 31, 2024.

Interest expense related to the Term note payable, current during Fiscal 2024 and 2023 was \$3.3 million and \$6.2 million, respectively.

*Gain on Extinguishment of Debt*

The Company incurred a \$35.3 million gain as a result of the debt amendment related to emerging from Chapter 11 bankruptcy on December 7, 2023. The gain is recorded within Reorganization items, net on the Company's Consolidated Statement of Operations.

**13. Leases**

**Lessor**

The Company rents microturbine equipment to its customers for terms up to thirty-six months with an extension option, which may impact 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. 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 March 31, 2024, the Company's minimum rental revenue to be received was as follows (in thousands):

<b>Year Ending March 31,</b>	<b>Leased Assets</b>	<b>Owned and Financed Assets</b>
2025	\$ 2,827	\$ 8,620
2026	1,345	3,998
2027	—	653
2028	—	533
2029	—	279
Thereafter	—	792
<b>Total minimum rental revenue</b>	<b>\$ 4,172</b>	<b>\$ 14,875</b>

**Lessee**

The Company leases facilities and equipment under various non-cancelable operating and finance leases expiring at various times through Fiscal 2037. 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 Fiscal 2024, the Company entered into eight rental agreements to rent used microturbine equipment from customers where that equipment was not currently in use. 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 not included in the determination of the lease term. As of March 31, 2024, lease commitments totaled approximately 18.4 MW of microturbines and have an average term of 36 months and a total commitment value of approximately \$18.7 million.

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

	<b>Year Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Finance lease costs (1)	\$ 804	\$ 697
Operating lease costs	4,948	2,291
<b>Total lease costs</b>	<b>\$ 5,752</b>	<b>\$ 2,988</b>

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

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

	March 31, 2024	March 31, 2023
Finance lease right-of-use assets	\$ 4,391	\$ 4,529
Operating lease right-of-use assets	12,279	8,808
<b>Total right-of-use assets</b>	<b>\$ 16,670</b>	<b>\$ 13,337</b>
Finance lease liability, current	\$ 964	\$ 773
Operating lease liability, current	4,041	2,492
Finance lease liability, non-current	2,300	2,903
Operating lease liability, non-current	8,527	6,588
<b>Total lease liabilities</b>	<b>\$ 15,832</b>	<b>\$ 12,756</b>
<b>Finance leases:</b>		
Weighted average remaining lease life	1.41 years	2.27 years
Weighted average discount rate	13.00%	13.00%
<b>Operating leases:</b>		
Weighted average remaining lease life	4.48 years	4.86 years
Weighted average discount rate	13.00%	12.00%

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

	Year Ended March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Finance cash flows from finance leases	\$ 173	\$ 803
Operating cash flows from finance leases	\$ 42	\$ 45
Operating cash flows from operating leases	\$ 4,930	\$ 2,258
Right-of-use assets obtained in exchange for lease obligations		
Finance leases	\$ 447	\$ 3,991
Operating leases	\$ 6,901	\$ 4,179

At March 31, 2024, 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
2025	\$ 1,108	\$ 5,380
2026	2,059	4,368
2027	252	1,747
2028	—	1,636
2029	—	1,337
Thereafter	—	1,882
<b>Total lease payments</b>	<b>\$ 3,419</b>	<b>\$ 16,350</b>
Less: imputed interest	(155)	(3,782)
<b>Present value of lease liabilities</b>	<b>\$ 3,264</b>	<b>\$ 12,568</b>

## 14. Commitments and Contingencies

### Purchase Commitments

As of March 31, 2024 the Company had firm commitments to purchase inventories of approximately \$30.7 million through Fiscal 2026. 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 inventories.

### Lease Commitments

See Note 13 – Leases.

### Related Party Transactions

In connection with the emergence from the Chapter 11 Cases, on December 7, 2023, 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 the Effective Date, Operating Subsidiary entered into the Reorganized PrivateCo Services Agreement by and among Reorganized PrivateCo and Operating Subsidiary. The Reorganized PrivateCo Services Agreement provides that, among other things, Operating Subsidiary will provide certain services to Reorganized PrivateCo, and Reorganized PrivateCo will provide to 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 \$0.7 million in other income for DSS service fees for Fiscal 2024.

#### *Trademark License Agreement*

On the Effective Date, 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 to 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*

In connection with the emergence from the Chapter 11 Cases, on the Effective Date, 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

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Capstone Services Fee for the Company's fiscal year 2023 will not exceed \$2,500,000, in the aggregate (the "Services Fee Cap"), which amount will be prorated based on the number of days in such fiscal year following execution of the Services Agreement. Effective as of April 1 of each year, beginning with April 1, 2024, the Services Fee Cap will increase for each fiscal year 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 that such increase effective on April 1, 2024, shall be equal to 1.7500%.

**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 and yield costs to the Company if significant amounts of inventory are held at distributors. As of March 31, 2024, no significant inventories of this nature were held at distributors.

**Legal Matters**

*Capstone Turbine Corporation v. Turbine International, LLC.*

On February 3, 2020, Capstone Turbine Corporation filed suit against its former distributor, Turbine International, LLC ("Turbine Intl."), in the Superior Court of California for the County of Los Angeles under the following caption: Capstone Turbine Corporation v. Turbine International, LLC; Case No. 20STCV04372 ("Capstone-Turbine Intl. Litigation"). The Company has alleged claims against Turbine Intl. for breach of contract and for injunctive relief relating to the parties' prior distributor relationship, which terminated at the end of March 2018, and Turbine Intl.'s failure to satisfy its payment obligations under certain financial agreements, namely an accounts receivable agreement and promissory note in favor of Capstone. As remedies for these claims, the Company is seeking compensatory and consequential damages, along with injunctive relief and attorney's fees, interest, and costs.

On March 18, 2020, Turbine Intl. filed its answer and cross-claims in the Capstone-Turbine Intl. In its cross-claims, Turbine Intl. asserted claims against Capstone, and individually against Mr. James Crouse, Capstone's Chief Revenue Officer, for breach of contract under the distributor agreement, accounts receivable agreement and promissory note, fraud, breach of the covenant of good faith and fair dealing, unjust enrichment and constructive trust, negligent misrepresentation, violation of the California unfair practices act, violation of the racketeer influenced corrupt organizations act, and conspiracy to commit fraud. As remedies for these alleged claims, Turbine Intl. is seeking compensatory, consequential, and punitive damages along with attorney's fees, interest, and costs. Capstone answered the cross-claims on May 7, 2020.

On June 29, 2020, Capstone filed a motion to file a First Amended Complaint to add, among other things, a claim for enforcement of a guaranty signed by an entity related to Turbine Intl., Hispania Petroleum, S.A., and personal claims against the principals of Turbine Intl. and Hispania. That motion was granted on August 19, 2020, and the First Amended Complaint ("FAC") was filed. All of the additional defendants were served and have filed answers.

As of March 31, 2024, discovery had been served and answered on both sides. On May 17, 2024, the trial was set for July 29, 2024; and the court ordered the parties to mediate the matter by June 19, 2024. On July 2, 2024, Turbine Intl. petitioned the court for a continuance and to reopen discovery. The court granted the continuance and set the trial date for December 2, 2024 and rejected the request to reopen discovery. Mediation remains court ordered. The Company has not recorded a liability as of March 31, 2024, as the Company is unable to estimate the possible loss or range of possible loss.

*SEC Investigation*

In June 2023, prior to the issuance of the Company's consolidated financial statements for the fiscal year ended March 31, 2023, the Audit Committee of the Company's Board commenced an Investigation into certain accounting and internal control matters of the Company, principally focused on certain revenue recognition matters (the "Revenue Recognition Investigation"), and self-reported its findings to the Division of Enforcement of the SEC. Following the self-report, the SEC Enforcement Division commenced an investigation into the circumstances surrounding the restatement of

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the Company's quarterly and annual financial statements (the "SEC Investigation"). The Audit Committee further self-reported its findings pursuant to an investigation into FPP related practices to the SEC. The Company is cooperating with the SEC in connection with its investigation. Investigations of this nature may be costly and require management to devote significant time and attention away from the ongoing operation of the business. The Company has not recorded a liability as of March 31, 2024, as a loss cannot be reasonably estimated.

*Cal Microturbine Arbitration*

On March 13, 2024, Cal Microturbine, a distributor of the Company, submitted a demand for arbitration before the American Arbitration Association seeking, among other things, approximately \$24.5 million in damages and alleging that the Company breached its distributor agreement with Cal Microturbine and committed fraud in allowing another company, Capstone Engineered Solutions, to sell, rent and service turbines in Cal Microturbine's exclusive territory under the distribution agreement. The parties have completed selection of an arbitration panel; and the arbitration panel has provided two possible dates in June and October 2025 for a hearing date. On August 18, 2024, Cal Microturbine amended its complaint and reduced its damage claim to \$18.8 million. The Company has not recorded a liability as of March 31, 2024, as the Company is unable to estimate the possible loss or range of possible loss.

*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 claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder based on allegedly false and misleading statements regarding, and allegedly inadequate disclosure surrounding, 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 may incur significant legal expenses in defending the legal matters described above during the pendency of these matters, and in connection with any other potential legal matters, including expenses for the potential reimbursement of legal fees of officers and directors under indemnification obligations. The Company anticipates these legal fees to not exceed the insurance deductible of \$1.2 million and has not recorded a liability as of March 31, 2024, as a loss cannot be reasonably estimated and the outcome of this matter is uncertain. The Company incurred legal fees of \$0.1 million as of March 31, 2024.

*Rouse v. Capstone Green Energy Corporation*

On June 18, 2024, a complaint for damages was filed in the Superior Court of the State of California, County of Los Angeles captioned Mark Rouse v. Capstone Green Energy Corporation alleging violations of the California labor code, breach of contract, conversion, breach of covenant of good faith and fair dealing and wrongful termination. The complaint seeks damages, medical expenses, attorneys' fees, interest and costs related to the termination of Mr. Rouse's employment and alleged non-payment of sales commissions in excess of \$300,000. The Company resolved the dispute entering into a settlement agreement on September 15, 2024 for a non-material amount.

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

August 19, 2024, a Class Action, pursuant to Code of Civil Procedure section 382 was filed in the Superior Court of the State of California for the County of Los Angeles, Case No. 24STCV21118, on behalf of Plaintiffs and all other current and former non-exempt California employees employed by or formerly employed by Defendants claiming failure to pay overtime wages, failure to pay minimum wages, failure to provide meal periods, failure to provide rest periods, waiting time penalties, wage statement violations, failure to timely pay wages, failure to indemnify, violation of Labor Code 227.3, and unfair competition. The Court has not ruled to certify the Class. The Company has not recorded a liability as of March 31, 2024, as the Company is unable to estimate the possible loss or range of possible loss. The Company intends to fight the claims vigorously.

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*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 distributor of the Company, filed a lawsuit in the Superior Court of California, County of Los Angeles claiming breach of contract, restitution, breach of implied covenant of good faith and fair dealing, account stated, money had and received, open book account, unfair business practices, accounting, and conversion, all related to DV Energy’s deposit for parts ordered. DV Energy has asserted \$715,552 in damages plus interest, attorney’s fees and costs. The complaint relates to a deposit for product order that the Company is restricted from delivering due to U.S. sanctions laws. The Company intends to meet its obligation to deliver the product once it can do so in accordance with U.S. Sanctions laws. The Company’s Distributor Agreement defines deposits as non-refundable. The value of the DV Energy deposit is recorded in the Company’s financial statements as current liability. The Company is unable to estimate the possible loss or range of possible loss and intends to fight the claims vigorously.

#### 15. 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 employee’s contributions since February 2019. Prior to that date, the Company had been matching 50 cents on the dollar up to 4% of the employee’s 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 \$0.3 million and \$0.2 million for each of Fiscal 2024 and 2023, respectively.

#### 16. Supplemental Balance Sheet Information

##### *Prepaid and Other Assets*

As of March 31, 2024, the Company had \$2.4 million of royalty-related assets remaining, recorded within the Prepaid and other current assets and other assets line items on the accompanying Consolidated Balance Sheets. The asset is 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 product. The effective royalty rate is calculated as the prepaid royalty settlement divided by total projected C200 System units over the 15-year amortization period. On a quarterly basis, the Company performs a re-forecast of C200 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 March 31, 2024 or 2023.

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

	March 31, 2024	March 31, 2023
Other royalty-related current assets	\$ 124	\$ 124
Other royalty-related noncurrent assets	2,239	2,381
Total royalty-related assets	<u>\$ 2,363</u>	<u>\$ 2,505</u>
Prepaid vendor inventory	3,417	3,536
Prepaid Insurance	908	16
Deposits	366	330
Prepaid taxes	397	2,248
Other Assets	1,035	1,403
Total Prepaid expenses, other current assets and other assets	<u>\$ 8,486</u>	<u>\$ 10,038</u>



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*Accounts Payable and Accrued Expenses*

Accounts payable and accrued expenses consisted of (in thousands):

	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Trade payables	\$ 15,095	\$ 27,491
Accrued interest	—	1,620
Accrued professional fees	2,827	596
Accrued commissions	148	604
Accrued service claims	278	171
Other	(136)	(192)
	<u>\$ 18,212</u>	<u>\$ 30,290</u>

**17. Subsequent Events**

The Company has evaluated all subsequent events through the filing date of this Form 10-K with the SEC, to ensure that this filing includes appropriate disclosure of events both recognized in the financial statements as of March 31, 2024, 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.

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**Exhibit Index**

<u>Exhibit Number</u>	<u>Description</u>
2.1	<a href="#">Joint Prepackaged Chapter 11 Plan of Reorganization of Capstone Green Energy Corporation and its Debtor Affiliates (incorporated by reference to Exhibit A of Findings of Fact, Conclusions of Law, and Order (I) Approving the Disclosure Statement; (II) Confirming the Joint Prepackaged Chapter 11 Plan of Reorganization of Capstone Green Energy Corporation and Its Debtor Affiliates; and (III) Granting Related Relief, dated November 14, 2023) (l)</a>
2.2	<a href="#">Plan Supplement to Joint Prepackaged Chapter 11 Plan of Reorganization of Capstone Green Energy Corporation and its Debtor Affiliates, dated as of October 24, 2023 (k)</a>
2.3	<a href="#">Notice of Filing of Additional Exhibits to Plan Supplement, dated as of November 9, 2023 (l)</a>
2.4	<a href="#">Findings of Fact, Conclusions of Law, and Order (I) Approving the Disclosure Statement; (II) Confirming the Joint Prepackaged Chapter 11 Plan of Reorganization of Capstone Green Energy Corporation and Its Debtor Affiliates; and (III) Granting Related Relief, dated November 14, 2023 (l)</a>
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of Capstone Green Energy Holdings, Inc. (m)</a>
3.2	<a href="#">Amended and Restated Bylaws of Capstone Green Energy Holdings, Inc. (m)</a>
4.1	<a href="#">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 (j)</a>
4.2	<a href="#">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 (l)</a>
4.3	<a href="#">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 (m)</a>
4.4	<a href="#">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 (o)</a>
4.5	<a href="#">Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (p)</a>
10.1	* <a href="#">Amended and Restated Capstone Turbine Corporation Change of Control Severance Plan (a)</a>
10.2	<a href="#">Development and License Agreement between Capstone Turbine Corporation and Carrier Corporation, successor-in-interest to UTC Power Corporation, dated September 4, 2007 (b)</a>
10.3	<a href="#">Promissory Note between Capstone Turbine Corporation and Turbine International, LLC, dated October 13, 2017 (c)</a>
10.4	<a href="#">Guaranty between Capstone Turbine Corporation and Hispania Petroleum, S.A., dated October 13, 2017 (c)</a>
10.5	<a href="#">First Amendment to the Accounts Receivable Assignment Agreement and Promissory Note between Capstone Turbine Corporation and Turbine International, LLC, dated June 5, 2018 (d)</a>
10.6	* <a href="#">Capstone Green Energy Corporation Amended and Restated Severance Pay Plan and Summary Plan Description, dated July 3, 2018, as amended March 2023 (e)</a>
10.7	* <a href="#">Form of Capstone Green Energy Corporation Change in Control Agreement (f)</a>
10.8	<a href="#">Consulting Agreement between Capstone Green Energy Corporation and Capstone Engineered Solutions, dated May 22, 2022 (g)</a>

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<u>Exhibit Number</u>	<u>Description</u>
10.9	<a href="#">National Account Agreement between Capstone Green Energy Corporation and Capstone Engineered Solutions, dated May 20, 2022 (g)</a>
10.10	<a href="#">Installation Agreement between Capstone Green Energy Corporation and Capstone Engineered Solutions Corporation (g)</a>
10.11	<a href="#">Lease Agreement between Capstone Green Energy Corporation and Prologis, L.P., dated January 25, 2023 (h)</a>
10.12	<a href="#">Transaction Support Agreement, dated September 28, 2023, by and among Capstone Green Energy Corporation and certain of its subsidiaries, Goldman Sachs Specialty Lending Group, L.P., and Broad Street Credit Holdings LLC (i)</a>
10.13	<a href="#">Reorganized PublicCo Services Agreement, dated December 7, 2023, by and among Capstone Green Energy Holdings, Inc. and Capstone Green Energy LLC (m)</a>
10.14	<a href="#">Trademark License Agreement, dated December 7, 2023, by and among Capstone Distributor Support Services Corporation and Capstone Green Energy Holdings, Inc. (m)</a>
10.15	* <a href="#">Capstone Green Energy Holdings, Inc. Form of Indemnity Agreement (m)</a>
10.16	* <a href="#">Severance Pay Plan of Capstone Green Energy Holdings, Inc. (m)</a>
10.17	* <a href="#">2023 Equity Incentive Plan of Capstone Green Energy Holdings, Inc. (m)</a>
10.18	<a href="#">Amended and Restated Limited Liability Company Agreement, dated December 7, 2023, of Capstone Green Energy LLC (m)</a>
10.19	<a href="#">Reorganized PrivateCo Services Agreement, dated December 7, 2023, by and among Capstone Distributor Support Services Corporation and Capstone Green Energy LLC (m)</a>
10.20	<a href="#">Registration Rights Agreement, dated December 7, 2023, by and among Capstone Green Energy LLC and Capstone Distributor Support Services Corporation (m)</a>
10.21	* <a href="#">Employment Offer Letter for Vincent J. Canino, dated February 22, 2024 (n)</a>
10.22	* <a href="#">Capstone Green Energy Holdings, Inc. Form of Amended and Restated Change in Control Agreement (n)</a>
10.23	* <a href="#">Form of Restricted Stock Unit Agreement (p)</a>
24	<a href="#">Power of Attorney (included on the signature page of this Form 10-K)</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes–Oxley Act of 2002</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes–Oxley Act of 2002</a>
32	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 (furnished herewith)</a>
97.1	<a href="#">Capstone Green Energy Holdings, Inc. Clawback Policy, effective October 2, 2023</a>
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 Corporation’s Annual Report on Form 10-K for the fiscal year ended March 31, 2024, formatted in Inline XBRL and contained in Exhibit 101

\*Management contract or compensatory plan or arrangement

- (a) Incorporated by reference to Capstone Turbine Corporation’s Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2004 (File No. 001-15957).

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- (b) Incorporated by reference to Capstone Turbine Corporation's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (File No. 001-15957).
  - (c) Incorporated by reference to Capstone Turbine Corporation's Current Report on Form 8-K filed on October 13, 2017 (File No. 001-15957).
  - (d) Incorporated by reference to Capstone Turbine Corporation's Annual Report on Form 10-K for the fiscal year ended March 31, 2018 (File No. 001-15957).
  - (e) Incorporated by reference to Capstone Green Energy Corporation's Current Report on Form 8-K filed on March 6, 2023 (File No. 001-15957).
  - (f) Incorporated by reference to Capstone Turbine Corporation's Current Report on Form 8-K filed on June 5, 2018 (File No. 001-15957).
  - (g) Incorporated by reference to Capstone Green Energy Corporation's Annual Report on Form 10-K for the fiscal year ended March 31, 2022 (File No. 001-15957).
  - (h) Incorporated by reference to Capstone Green Energy Corporation's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2022 (File No. 001-15957).
  - (i) Incorporated by reference to Capstone Green Energy Corporation's Current Report on Form 8-K filed on September 28, 2023 (File No. 001-15957).
  - (j) Incorporated by reference to Capstone Green Energy Corporation's Current Report on Form 8-K filed on October 3, 2023 (File No. 001-15957).
  - (k) Incorporated by reference to Capstone Green Energy Corporation's Current Report on Form 8-K filed on October 25, 2023 (File No. 001-15957).
  - (l) Incorporated by reference to Capstone Green Energy Corporation's Current Report on Form 8-K filed on November 17, 2023 (File No. 001-15957).
  - (m) 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).
  - (n) Incorporated by reference to Capstone Green Energy Holdings, Inc.'s Current Report on Form 8-K filed on March 12, 2024 (File No. 001-15957).
  - (o) 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).
  - (p) Incorporated by reference to Capstone Green Energy Holdings, Inc.'s Annual Report on Form 10-K for the fiscal year ended March 31, 2023 (File No. 001-15957).
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**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER UNDER SECTION 302**

I, Vince J. Canino, certify that:

1. I have reviewed this annual report on Form 10-K 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: September 26, 2024

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

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER UNDER SECTION 302**

I, John J. Juric, certify that:

1. I have reviewed this annual report on Form 10-K 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: September 26, 2024

By: \_\_\_\_\_ /s/ JOHN J. JURIC

John J. Juric

*Chief Financial Officer (Principal Financial Officer)*

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CAPSTONE GREEN ENERGY HOLDINGS, INC.

EXECUTIVE OFFICER INCENTIVE COMPENSATION  
RECOUPMENT (CLAWBACK) POLICY

1. Purpose. The purpose of this Capstone Green Energy Holdings, Inc. (the “Company”) Executive Officer Incentive Compensation Recoupment (Clawback) Policy (this “Policy”) is to enable the Company to recover Erroneously Awarded Compensation from Covered Executive Officers in the event that the Company is required to prepare an Accounting Restatement. This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as codified in Section 10D of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Rule 10D-1 promulgated under the Exchange Act (“Rule 10D-1”). Unless otherwise defined in this Policy, capitalized terms shall have the meaning ascribed to such terms in Section 2.
  2. Definitions. As used in this Policy, the following capitalized terms shall have the meanings set forth below.
    - a. “Accounting Restatement” means an accounting restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (i.e., a “Big R” restatement), or to correct an error that is not material to the previously issued financial statements, but that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (i.e., a “little r” restatement).
    - b. “Accounting Restatement Date” means the earlier to occur of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if the Board’s action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement and (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.
    - c. “Applicable Period” means, with respect to any Accounting Restatement, the three completed fiscal years immediately preceding the Accounting Restatement Date, as well as any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year).
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- d. “Board” means the board of directors of the Company.
- e. “Code” means the U.S. Internal Revenue Code of 1986, as amended. Any reference to a section of the Code or regulation thereunder includes such section or regulation, any valid regulation or other official guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.
- f. “Covered Executive Officer” means an individual who is currently or previously served as the Company’s principal executive officer, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), vice-president of the Company in charge of a principal business unit, division or function (such as sales, administration, or finance), an officer who performs (or performed) a policy-making function, or any other person who performs (or performed) similar policy-making functions for the Company or is otherwise determined to be an executive officer of the Company pursuant to Item 401(b) of Regulation S-K. An executive officer of the Company’s parent or subsidiary is deemed a “Covered Executive Officer” if the executive officer performs (or performed) such policy-making functions for the Company. The determination as to who constitutes a “Covered Executive Officer” shall be made by the Board.
- g. “Erroneously Awarded Compensation” means, in the event of an Accounting Restatement, the amount of Incentive-Based Compensation previously received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts in such Accounting Restatement, and must be computed without regard to any taxes paid by the relevant Covered Executive Officer; provided, however, that for Incentive-Based Compensation based on stock price or total stockholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement: (i) the amount of Erroneously Awarded Compensation must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total stockholder return upon which the Incentive-Based Compensation was received, and (ii) the Company must maintain documentation of the determination of that reasonable estimate and, if the Company’s common stock is then listed on a national securities exchange, provide such documentation to such national securities exchange.
- h. “Financial Reporting Measure” means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements and any measure that is derived wholly or in part from such measure. Financial Reporting Measures include, but are not limited to, the following (and any measures derived from the following): the Company’s stock price; total shareholder return; revenues; net income; operating income; profitability of one or more reportable segments; financial
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ratios (e.g., accounts receivable turnover and inventory turnover rates); earnings before interest, taxes, depreciation and amortization; adjusted EBITDA, funds from operations and adjusted funds from operations; liquidity measures (e.g., working capital, operating cash flow); return measures (e.g., return on invested capital, return on assets); earnings measures (e.g., earnings per share); sales per square foot or same store sales, where sales are subject to an Accounting Restatement; revenue per user, or average revenue per user, where revenue is subject to an Accounting Restatement; cost per employee, where cost is subject to an Accounting Restatement; any of such financial reporting measures relative to a peer group, where the Company's financial reporting measure is subject to an Accounting Restatement; and tax basis income. A Financial Reporting Measure is not required to be presented within the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission (the "SEC") to qualify as a "Financial Reporting Measure."

- i. "Incentive-Based Compensation" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is deemed "received" for purposes of this Policy in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.
3. Administration. This Policy shall be administered by the Compensation and Human Capital Committee of the Board (the "Compensation Committee"). For purposes of this Policy, the Compensation Committee shall be referred to herein as the "Administrator." The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy, in each case, to the extent permitted under Rule 10D-1 and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. All determinations and decisions made by the Administrator pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company, its affiliates, its stockholders and Covered Executive Officers, and need not be uniform with respect to each person covered by this Policy.

In the administration of this Policy, the Administrator is authorized and directed to consult with the full Board, the Audit Committee of the Board and/or any such other committee of the Board as may be necessary or appropriate as to matters within the scope of such other committee's responsibility and authority. Subject to any limitation at applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee). Any action or inaction by the Administrator with respect to a Covered Executive Officer under this Policy in no way limits the Administrator's decision to act or not to act with respect to any other Covered Executive Officer under this Policy or under any similar policy, agreement or arrangement, nor shall any such action or inaction serve as

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a waiver of any rights the Company may have against any Covered Executive Officer other than as set forth in this Policy.

4. Application. This Policy applies to all Incentive-Based Compensation received by a person: (i) after beginning service as a Covered Executive Officer; (ii) who served as a Covered Executive Officer at any time during the performance period for such Incentive-Based Compensation; and (iii) during the Applicable Period. For the avoidance of doubt, Incentive-Based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition shall be considered received when the relevant Financial Reporting Measure is achieved, even if the Incentive-Based Compensation continues to be subject to the service-based vesting condition.
5. Recovery Requirement. In the event of an Accounting Restatement, the Company must recover Erroneously Awarded Compensation reasonably promptly, in amounts determined pursuant to this Policy. The Company's obligation to recover Erroneously Awarded Compensation is not dependent on the filing of restated financial statements. Recovery under this Policy with respect to a Covered Executive Officer shall not require the finding of any misconduct by such Covered Executive Officer or such Covered Executive Officer being found responsible for the accounting error leading to an Accounting Restatement. In the event of an Accounting Restatement, the method for recouping Erroneously Awarded Compensation shall be determined by the Administrator in its sole and absolute discretion, to the extent permitted under Rule 10D-1 and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code.

Recovery may include, without limitation, (i) reimbursement of all or a portion of any incentive compensation award, (ii) cancellation of incentive compensation awards and (iii) any other method authorized by applicable law or contract.

To the extent that a Covered Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Covered Executive Officer, subject to the provisions of the immediately following paragraph. The applicable Covered Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

The Company is authorized and directed pursuant to this Policy to recover Erroneously Awarded Compensation in compliance with this Policy unless the Compensation Committee has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- a. The direct expenses paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Before reaching such conclusion, the Administrator must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and,
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if the Company's common stock is then listed on a national securities exchange, provide that documentation to such national securities exchange;

- b. Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before reaching such conclusion, the Administrator must obtain an opinion of home country counsel, which, if the Company's common stock is then listed on a national securities exchange, must be acceptable to such national securities exchange, that recovery would result in such a violation, and, if the Company's common stock is then listed on a national securities exchange, must provide such opinion to such national securities exchange; or
  - c. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code.
6. Prohibition on Indemnification and Insurance Reimbursement. The Company shall not indemnify any Covered Executive Officer against the loss of any Erroneously Awarded Compensation. Further, the Company shall not pay or reimburse a Covered Executive Officer for the cost of purchasing insurance to cover any such loss. The Company shall also not enter into any agreement or arrangement whereby this Policy would not apply or fail to be enforced against a Covered Executive Officer; provided, however, that this Policy shall be effective in respect of each Covered Executive Officer regardless of whether such Covered Executive Officer signs and returns the Acknowledgment Form.
  7. Required Policy-Related Filings. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including disclosures required to be included in SEC filings. A copy of this Policy and any amendments hereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 10-K.
  8. Acknowledgement. Each Covered Executive Officer shall sign and return to the Company, within thirty (30) calendar days following the later of (i) the effective date of this Policy set forth below and (ii) the date such individual becomes a Covered Executive Officer, the Acknowledgement Form attached hereto as Exhibit A, pursuant to which the Covered Executive Officer agrees to be bound by, and to comply with, the terms and conditions of this Policy.
  9. Amendment; Termination. The Compensation Committee may amend this Policy from time to time in its sole and absolute discretion and shall amend this Policy as it deems necessary to reflect Rule 10D-1 or to comply with (or maintain an exemption from the application of) Section 409A of the Code. The Compensation Committee may terminate this Policy at any time, provided that the termination of this Policy would not cause the Company to violate any federal securities laws, rules promulgated by the SEC or Rule 10D-1.
  10. Effective Date. The terms of this Policy shall apply to any Incentive-Based Compensation
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that is received by Covered Executive Officers on or after October 2, 2023, even if such Incentive-Based Compensation was approved, awarded or granted to Covered Executive Officers prior to such date, and shall not limit any right of recovery with respect to compensation received prior to such date. For the avoidance of doubt, nothing contained herein shall limit or otherwise affect the Company's ability to recover compensation under any incentive compensation recoupment or clawback policy in effect in respect of any periods prior to October 2, 2023.

11. Other Recovery Obligations; General Rights. The Board intends that this Policy shall be applied to the fullest extent of the law. To the extent that the application of this Policy would provide for recovery of Incentive-Based Compensation that the Company already recovered pursuant to Section 304 of the Sarbanes-Oxley Act or other recovery obligations, any such amount recovered from a Covered Executive Officer will be credited to any recovery required under this Policy in respect of such Covered Executive Officer.

This Policy shall not limit the rights of the Company to take any other actions or pursue other remedies that the Company may deem appropriate under the circumstances and under applicable law, in each case, to the extent permitted under Rule 10D-1 and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code.

This Policy is binding and enforceable against all Covered Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

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**EXHIBIT A**

**CAPSTONE GREEN ENERGY HOLDINGS, INC.**

**CLAWBACK POLICY**

**ACKNOWLEDGEMENT FORM**

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the CAPSTONE GREEN ENERGY HOLDINGS, INC. (the "Company") Executive Officer Incentive Compensation Recoupment (Clawback) Policy (the "Policy").

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment or service with the Company. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation (as defined in the Policy) to the Company to the extent required by, and in a manner consistent with, the Policy and notwithstanding anything to the contrary in any other policy or agreement to which the undersigned is subject or party.

**EXECUTIVE  
OFFICER**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

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