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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 10-Q**

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(Mark One)

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

For the quarterly period ended **June 30, 2025**

or

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

For the transition period from      to

Commission File Number: **001-15957**

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**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:

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

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

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

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

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

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

As of August 7, 2025, the registrant had 18,867,448 shares of voting common stock, par value \$0.001 per share, and 508,475 shares of non-voting common stock, par value \$0.001 per share, outstanding.

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

**Item 1. Financial Statements**

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

	June 30, 2025	March 31, 2025
<b>Assets</b>		
Current Assets:		
Cash	\$ 6,628	\$ 8,671
Accounts receivable, net as of allowances of \$827 at June 30, 2025 and \$607 as of March 31, 2025	10,706	7,037
Inventories	16,583	16,615
Lease receivable, current	117	113
Prepaid expenses and other current assets	3,488	3,653
Total current assets	37,522	36,089
Property, plant, equipment and rental assets, net	18,715	19,362
Finance lease right-of-use assets	4,030	3,787
Operating lease right-of-use assets	5,741	8,282
Non-current portion of inventories	3,077	3,464
Lease receivable, non-current	1,146	1,175
Other assets	2,530	2,705
Total assets	\$ 72,761	\$ 74,864
<b>Liabilities, Temporary Equity and Stockholders' Deficit</b>		
Current Liabilities:		
Accounts payable	\$ 15,159	\$ 14,092
Accrued expenses	1,640	1,447
Accrued salaries and wages	3,410	2,838
Accrued warranty reserve	1,134	1,070
Deferred revenue, current	10,159	13,351
Finance lease liability, current	2,791	2,017
Operating lease liability, current	2,441	3,539
Factory protection plan liability	6,878	6,256
Exit new money notes, net of discount, current	8,100	7,968
Total current liabilities	51,712	52,578
Deferred revenue, non-current	568	598
Finance lease liability, non-current	553	248
Operating lease liability, non-current	3,519	4,988
Exit new money notes, net of discount, non-current	24,597	24,213
Total liabilities	80,949	82,625
Commitments and contingencies (Note 17)		
Temporary equity:		
Redeemable noncontrolling interests	13,859	13,859
Stockholders' deficit:		
Preferred stock, \$.001 par value; 1,000,000 shares authorized, and none issued	—	—
Common stock, \$.001 par value; 59,400,000 shares authorized, 18,879,448 shares issued and outstanding at June 30, 2025 and 18,643,587 shares issued and outstanding at March 31, 2025	19	18
Non-voting common stock, \$.001 par value; 600,000 shares authorized, 508,475 shares issued and outstanding at June 30, 2025 and March 31, 2025	1	1
Additional paid-in capital	955,765	955,407
Accumulated deficit	(977,698)	(977,000)
Treasury stock, at cost; 176,494 shares at June 30, 2025 and 57,202 shares at March 31, 2025	(134)	(46)
Total stockholders' deficit	(22,047)	(21,620)
Total liabilities, temporary equity and stockholders' deficit	\$ 72,761	\$ 74,864

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,	
	2025	2024
Revenue, net:		
Product and accessories	\$ 15,720	\$ 5,423
Parts and services	7,938	7,837
Rentals	4,213	2,383
Total revenue, net	27,871	15,643
Cost of goods sold:		
Product and accessories	14,518	5,998
Parts and services	3,759	3,445
Rentals	2,030	2,413
Total cost of goods sold	20,307	11,856
Gross profit	7,564	3,787
Operating expenses:		
Research and development	814	548
Selling, general and administrative	6,921	6,783
Total operating expenses	7,735	7,331
Loss from operations	(171)	(3,544)
Other income, net	436	591
Interest income	53	2
Interest expense	(1,011)	(978)
Loss before provision for income taxes	(693)	(3,929)
Provision for income taxes	5	8
Net loss	(698)	(3,937)
Net loss per share of common stock and non-voting common stock— basic and diluted	\$ (0.04)	\$ (0.21)
Weighted average shares used to calculate basic and diluted net loss per share of common stock and non-voting common stock	19,366	19,049

See accompanying notes to condensed consolidated financial statements.

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

	Temporary Equity		Permanent Equity						Additional Paid- Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Deficit
	Redeemable Noncontrolling Interest		Common Stock		Non-Voting Common Stock		Shares	Amount					
	LLC Units	Amount	Shares	Amount	Shares	Amount							
Balance, March 31, 2025	10,449,863	\$ 13,859	18,643,587	\$ 18	508,475	\$ 1	\$ 955,407	\$ (977,000)	57,202	(46)	\$ (21,620)		
Purchase of treasury stock	—	—	(119,292)	—	—	—	—	—	119,292	(88)	(88)		
Vested restricted stock units	—	—	355,153	1	—	—	—	—	—	—	1		
Stock-based compensation	—	—	—	—	—	—	358	—	—	—	358		
Net loss	—	—	—	—	—	—	—	(698)	—	—	(698)		
Balance, June 30, 2025	10,449,863	13,859	18,879,448	19	508,475	1	955,765	(977,698)	176,494	\$ (134)	(22,047)		

	Temporary Equity		Permanent Equity						Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Deficit
	Redeemable Noncontrolling Interest		Common Stock		Non-Voting Common Stock		Shares	Amount					
	LLC Units	Amount	Shares	Amount	Shares	Amount							
Balance, March 31, 2024	10,449,863	\$ 13,859	18,540,789	\$ 18	508,475	\$ 1	\$ 955,145	\$ (969,810)	—	—	\$ (14,646)		
Stock-based compensation	—	—	—	—	—	—	57	—	—	—	57		
Net loss	—	—	—	—	—	—	—	(3,937)	—	—	(3,937)		
Balance, June 30, 2024	10,449,863	13,859	18,540,789	18	508,475	1	955,202	(973,747)	—	—	(18,526)		

See accompanying notes to condensed consolidated financial statements.

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

	<b>Three Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (698)	\$ (3,937)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	926	1,014
Amortization of financing costs and discounts	23	13
Paid-in-kind interest expense	493	924
Non-cash lease expense	821	979
Provision for credit loss expense	227	146
Inventory write-down	166	155
Provision (benefit) for warranty expenses	70	(81)
Stock-based compensation	349	57
Changes in operating assets and liabilities:		
Accounts receivable	(4,170)	(809)
Inventories	253	262
Lease receivable	25	—
Prepaid expenses, other current assets and other assets	274	851
Accounts payable	2,356	4,171
Accrued expenses	124	(366)
Operating lease liability, net	(847)	(989)
Accrued salaries and wages and long-term liabilities	617	38
Accrued warranty reserve	(6)	(22)
Deferred revenue	(3,222)	626
Factory protection plan liability	623	(940)
Net cash provided by (used in) operating activities	(1,596)	2,092
<b>Cash Flows from Investing Activities:</b>		
Expenditures for property, plant, equipment and rental assets	(126)	(149)
Net cash used in investing activities	(126)	(149)
<b>Cash Flows from Financing Activities:</b>		
Acquisition of treasury stock	(134)	—
Repayment of finance lease obligations	(187)	(53)
Net cash used in financing activities	(321)	(53)
Net increase (decrease) in Cash	(2,043)	1,890
Cash, Beginning of Period	8,671	2,085
Cash, End of Period	\$ 6,628	\$ 3,975
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest	\$ 479	\$ 39
Income taxes	\$ 14	\$ 5
<b>Supplemental Disclosures of Non-Cash Information:</b>		
Right-of-use assets obtained in exchange for operating lease obligations	\$ 1,419	\$ —
Right-of-use assets obtained in exchange for finance lease obligations	\$ 396	\$ —
Acquisition of treasury stock with accrued liabilities	\$ 46	\$ —
Settlement of lease liabilities through accounts receivable	\$ 210	\$ 184
Operating lease modified to finance lease	\$ 614	\$ —
Accounts payable negotiated in lease modification	\$ 1,289	\$ —

See accompanying notes to condensed consolidated financial statements.

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

**1. Business and Organization**

Capstone Green Energy Holdings, Inc., the successor to Capstone Green Energy Corporation, along with its consolidated operating subsidiary Capstone Green Energy LLC (the “Operating Subsidiary”) is a provider of customized microgrid solutions, on-site resilient Energy-as-a-Service (“EaaS”) solutions, and 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 (“ICHPP”), 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 this is still an emerging offering, Hydrogen Energy Solutions revenues have been immaterial to date.

As a result of past delays in filing the Company’s periodic reports with the Securities Exchange Commission (the “SEC”) and the requirements relating to Market Value of Listed Securities (“MVLS”), the Company was unable to comply with the Nasdaq listing standards, and as a result, the Company’s common stock was suspended from trading on the Nasdaq Capital Market effective October 5, 2023 and formally delisted effective October 23, 2023. Post completion of the financial statement restatements for Fiscal 2022 and 2023 and completion of the filings for Fiscal 2024, the Company became current with all of its periodic filings with the SEC. On January 2, 2025, the Company’s common stock was approved for trading by Financial Industry Regulatory Authority on the over-the-counter market (“OTC”).

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

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

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

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

**Significant Accounting Policies** Except as described below, there have been no changes to the Company's significant accounting policies described in the Annual Report on Form 10-K for Fiscal Year 2025 filed with the SEC, that have had a material impact on the Company's Condensed Consolidated Financial Statements.

**Going Concern** In connection with the preparation of these Condensed Consolidated Financial Statements for the three months ended June 30, 2025, management evaluated whether there were conditions and events, considered in the aggregate, that raised substantial doubt about the Company's ability to meet its obligations as they become due over the next twelve months from the date of the issuance of the financial statements. As of June 30, 2025, the Company had cash of \$6.6 million and a working capital deficit of \$14.2 million. The Company incurred a net loss of \$0.7 million during the three months ended June 30, 2025.

Given the Company's current cash position, lack of liquidity, short term debt repayments, limits to accessing capital and debt funding options, and current economic and market risks, there exists substantial doubt regarding the Company's ability to continue as a going concern and its ability to meet its financial obligations as they become due over the next twelve months from the date of issuance of the financial statements as of, and for the period ended June 30, 2025. Refer to Cash Flow section for additional information. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, and do not include any adjustments that might result from outcome of this uncertainty.

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

### 3. Recently Issued Accounting Pronouncements

#### *Not Yet Adopted*

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

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

### 4. Customer Concentrations and Accounts Receivable

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



the case of a bankruptcy filing or deterioration in the customer's operating results or financial position. Accounts deemed uncollectible are written off against the allowance for credit loss.

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

Balance, March 31, 2025	\$	607
Provision for credit loss		227
Write-offs		(7)
Balance, June 30, 2025	\$	827

Sales to Cal Microturbine and Lone Star Power Solutions, LLC ("Lone Star"), two of the Company's domestic distributors, accounted for 47% and 10% of revenue for the three months ended June 30, 2025, respectively. Lone Star, Cal Microturbine and E-Finity Distributed Generation ("E-Finity"), three of the Company's domestic distributors and Optimal Group Australia Pty Ltd, one of the Company's international distributors, accounted for 16%, 13%, 11% and 11% of revenue for the three months ended June 30, 2024, respectively.

Additionally, Cal Microturbine and Lone Star accounted for 33% and 13% of accounts receivable as of June 30, 2025, respectively. Lone Star and Optimal Group Australia accounted for 18% and 10% of accounts receivable as of March 31, 2025, respectively. The Company recorded a credit loss expense of \$0.2 million and \$0.1 million during the three months ended June 30, 2025 and 2024, respectively.

## 5. Inventories

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

	June 30, 2025	March 31, 2025
Raw materials	\$ 19,495	\$ 19,914
Finished goods	165	165
Total	19,660	20,079
Less: non-current portion	(3,077)	(3,464)
Total inventory, net non-current portion	\$ 16,583	\$ 16,615

The non-current portion of inventories represents that portion of inventories in excess of amounts expected to be sold or used in the next twelve months. The non-current inventories are primarily comprised of parts for older generation products that are still in operation but are not technologically compatible with current configurations. The Company expects to use the non-current portion of the inventories on hand as of June 30, 2025 over the periods presented in the following table (in thousands):

Expected Period of Use	Non-current Inventory Balance Expected to be Used
13 to 24 months	\$ 1,216
25 to 36 months	1,861
Total	\$ 3,077

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

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

	June 30, 2025	March 31, 2025
Machinery, equipment, automobiles and furniture	\$ 14,555	\$ 14,467
Leasehold improvements	8,927	8,919
Molds and tooling	3,510	3,510
Rental assets	27,963	27,963
Total property, plant, equipment and rental assets	54,955	54,859
Less: accumulated depreciation	(36,240)	(35,497)
Total property, plant, equipment and rental assets, net	\$ 18,715	\$ 19,362

The Company regularly assesses the useful lives of property and equipment and retires assets no longer in service. Depreciation expense for property, plant, equipment and rental assets was \$0.9 million and \$1.0 million for the three months ended June 30, 2025 and 2024, respectively. The depreciation expense recorded to cost of sales was \$0.9 million and \$1.0 million for the three months ended June 30, 2025 and 2024, respectively.

## 7. Accrued Warranty Reserve

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

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

	Three Months Ended June 30,	
	2025	2024
Balance, beginning of the fiscal year	\$ 1,070	\$ 1,437
Standard warranty provision	70	(81)
Deductions for warranty claims	(6)	(22)
Balance, end of the period	\$ 1,134	\$ 1,334

## 8. Debt

### *Exit Note Purchase Agreement*

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

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

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

The scheduled maturities of the Company's debt are as follows as of June 30, 2025:

<b>Year Ending March 31,</b>	
2026 (remainder of fiscal year)	\$ 8,122
2027	24,722
2028	—
2029	—
2030	—
Thereafter	—
Total principal payments and debt maturities	32,844
Less unamortized issuance costs	(147)
Net principal payments and debt maturities	<u>\$ 32,697</u>

The Exit 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 through 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 Exit Notes. The Company has the right to cure an event of default for a breach of the consolidated adjusted EBITDA covenant with a prepayment on the Exit Notes up to the amount that is required to achieve the minimum consolidated adjusted EBITDA covenant for the quarter. In the event the Company does not cure the breach, the requisite Purchaser may cause the Collateral Agent to enforce any and all liens and security interests created pursuant to the Collateral Documents and may enforce any and all rights and remedies available. The Company believes it is probable the consolidated liquidity and consolidated adjusted EBITDA financial covenants discussed below will be satisfied for all measurement dates in the upcoming 12 months.

On June 28, 2024, the Company entered into the First Amendment (the "First Amendment") to the Exit Note Purchase Agreement. The First Amendment provides for: (i) the amendment of the minimum consolidated adjusted EBITDA financial covenant to (a) allow adjustment for costs related to the restatement of, or other adjustments to, the financial statements of the Company for the period beginning on the Closing Date (as defined in the Exit Note Purchase Agreement) and ending at the end of the 2025 Fiscal Year and (b) the minimum consolidated adjusted EBITDA financial covenant to be first tested at the quarter ended September 30, 2024, (ii) the amendment of the minimum consolidated liquidity financial covenant to (a) reduce the minimum consolidated liquidity to \$1,000,000 from September 30, 2024 to March 30, 2025 and (b) defer the testing of the minimum consolidated liquidity financial covenant to September 30, 2024 and (iii) the extension of the deadline for the delivery of the Company's audited financial statements for the fiscal year ended March 31, 2024 (the "Fiscal 2024 Financial Statements") to September 27, 2024 and the removal of the covenant that the Fiscal 2024 Financial Statements be accompanied by a report and opinion of an independent certified public accountant which is not subject to any "going concern" or like qualification.

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

- (i) from September 30, 2024 to March 30, 2025, \$1,000,000;
- (ii) from March 31, 2025 to July 30, 2025, \$2,500,000\*;
- (iii) from July 31, 2025 to September 29, 2025, \$3,000,000\*;

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

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

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

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

<u>Fiscal Quarter Ending</u>	<u>Consolidated Adjusted EBITDA</u>
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 June 30, 2025, the Company has an outstanding Exit Notes balance of \$32.7 million, comprised of \$21.1 million of Exit Roll Up Notes, \$7.0 million of Exit New Money Notes and \$4.7 million of total PIK interest, less debt issuance costs of \$0.1 million. Debt issuance costs in relation to the Exit New Money Notes and the Exit Roll Up Notes are being amortized over the term at an effective interest rate of 11.77% as of June 30, 2025. As of June 30, 2025, the Company was in compliance with all financial covenants. The Company incurred total cash interest expense on the debt during the three months ended June 30, 2025 of approximately \$0.4 million. The Company did not incur any cash interest expense on the debt during the three months ended June 30, 2024.

## 9. Leases

### Lessor

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

At June 30, 2025, 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>
2026 (remainder of fiscal year)	\$ 2,305	\$ 6,425
2027	2,172	5,823
2028	252	1,093
2029	—	29
2030	—	—
Thereafter	—	—
<b>Total minimum rental revenue</b>	<b>\$ 4,729</b>	<b>\$ 13,370</b>

At June 30, 2025, the Company's future scheduled minimum lease payments to be received from its sales-type lease were as follows (in thousands):

**Year Ending March 31,**

2026 (remainder of fiscal year)	\$	198
2027		264
2028		264
2029		264
2030		264
Thereafter		528
Total minimum lease payments	\$	1,782
Less: imputed interest		(600)
Plus: unguaranteed residual value		81
Present value of lease receivable	\$	1,263

The Company recognized less than \$0.1 million of interest income related to lease receivables during the three months ended June 30, 2025. There was no interest income related to lease receivables during the three months ended June 30, 2024.

	June 30, 2025	March 31, 2025
Gross receivables	\$ 1,182	\$ 1,209
Unguaranteed residual value	81	79
Total, net	\$ 1,263	\$ 1,288
Reported as:		
Current	117	113
Long-Term	1,146	1,175
Total, net	\$ 1,263	\$ 1,288

**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 the three months ended June 30, 2025, the Company did not enter into new rental agreements to rent used microturbine equipment from customers where that equipment was not currently in use. The Company may enter into lease modifications from time to time, and had modified three of their current lease agreements during the three months ended June 30, 2025. The existing rental agreements provide the Company an option to extend the lease, however, the Company is not likely to exercise these options and therefore they are not included in the determination of the lease term. As of June 30, 2025, lease commitments totaled approximately 18.4 megawatts of microturbines and had an average term of 33 months and a total remaining commitment value of approximately \$7.9 million.

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

	Three Months Ended June 30,	
	2025	2024
Finance lease costs (1)	\$ 202	\$ 191
Operating lease costs	1,024	1,363
Variable lease expense	21	—
Total lease costs	\$ 1,247	\$ 1,554

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

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

	June 30, 2025	March 31, 2025
Finance lease right-of-use assets	\$ 4,030	\$ 3,787
Operating lease right-of-use assets	5,741	8,282
Total right-of-use assets	<u>\$ 9,771</u>	<u>\$ 12,069</u>
Finance lease liability, current	\$ 2,791	\$ 2,017
Operating lease liability, current	2,441	3,539
Finance lease liability, non-current	553	248
Operating lease liability, non-current	3,519	4,988
Total lease liabilities	<u>\$ 9,304</u>	<u>\$ 10,792</u>
<b>Finance leases:</b>		
Weighted average remaining lease life	0.55 years	0.42 years
Weighted average discount rate	11.97%	12.81%
<b>Operating leases:</b>		
Weighted average remaining lease life	4.87 years	4.41 years
Weighted average discount rate	11.40%	12.33%

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

	Three Months Ended June 30,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Finance cash flows from finance leases	\$ 715	\$ 53
Operating cash flows from finance leases	\$ 50	\$ 10
Operating cash flows from operating leases	\$ 1,050	\$ 1,373
Change in Right-of-use assets through modification of lease obligations		
Finance leases	\$ 396	\$ —
Operating leases	\$ (1,721)	\$ —

At June 30, 2025, the Company's minimum commitments under non-cancelable operating and finance leases were as follows (in thousands):

Year Ending March 31,	Finance Leases	Operating Leases
2026 (remainder of fiscal year)	\$ 2,613	\$ 2,644
2027	925	1,221
2028	—	1,111
2029	—	854
2030	—	256
Thereafter	—	1,626
Total lease payments	<u>\$ 3,538</u>	<u>\$ 7,712</u>
Less: imputed interest	(194)	(1,752)
Present value of lease liabilities	<u>\$ 3,344</u>	<u>\$ 5,960</u>

## 10. Revenue Recognition

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

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract

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

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

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

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

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

*Factory Protection Plan 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 term of the FPP contract, in 30-day intervals aligned to the monthly service period for that customer. FPP contracts have an initial term period of one year, with automatic renewals with durations of 5, 10, 15, or 20 years and may be cancelled at any time. The related costs for FPP contracts become the Company's obligation and are accrued at the time a customer submits a claim, and the claim's compliance with the terms of the plan are confirmed. The accrual reflects the Company's best estimate of the probable liability under the replacement part obligation. The provision is periodically adjusted to reflect actual experience. FPP contracts typically go into effect once the standard warranty expires.

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

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 Accounting Standard Codification ("ASC") 460 and are recognized as contra revenue as consideration paid to a customer under ASC 606. An Authorized Service Provider ("ASP")

must perform the labor. ASPs submit claims for labor reimbursements and are credited for the cost of labor if the repairs meet the Company's prescribed standards. The Company is unable to develop a reasonable estimate of the maximum potential payout under these arrangements because the FPP contracts do not contain a limit on the number of labor reimbursements that may be submitted. However, given historical practice, the Company has priced the FPP to cover all costs incurred related to the labor reimbursement and is not exposed to significant losses over the FPP premium.

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

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

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

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

#### **Contracts with Multiple Performance Obligations**

The Company enters into contracts with its customers that often include promises to transfer multiple products, parts, accessories, FPP parts 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 may be able to establish SSP based on observable prices of products or services sold separately in comparable circumstances to similar customers. The Company uses a single amount to estimate SSP when it has observable prices.



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

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

	Three Months Ended June 30,	
	2025	2024
Microturbine Products	\$ 15,366	\$ 5,262
Accessories	354	161
Total Product and Accessories	15,720	5,423
Parts and Services	7,938	7,837
Total ASC 606 Revenue	\$ 23,658	\$ 13,260
Rentals	4,213	2,383
Total ASC 842 Revenue	4,213	2,383
Total Revenue	\$ 27,871	\$ 15,643

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

	Three Months Ended June 30,	
	2025	2024
United States	\$ 22,956	\$ 8,931
Mexico	1,206	492
All other North America	119	30
Total North America	24,281	9,453
Europe	2,016	3,424
Asia	560	502
Australia	491	1,702
All other	523	562
Total Revenue	\$ 27,871	\$ 15,643

### Contract Balances

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

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

	Three Months Ended June 30,	
	2025	2024
Opening balance, beginning of the fiscal year	\$ 13,949	\$ 11,858
Closing balance, end of the period	\$ 10,727	\$ 12,484
Revenue recognized in the period from:		
Amounts included in deferred revenue at the beginning of the period	\$ 6,821	\$ 3,597

Deferred revenue attributed to FPP contracts represent 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 June 30, 2025, approximately \$4.8 million of revenue is expected to be recognized from the remaining

contract liability for FPP contracts. The Company expects to recognize revenue on approximately \$4.2 million of these unfulfilled performance obligations over the next 12 months and the balance of \$0.6 million will be recognized thereafter.

The Distributor Support System (“DSS”) 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 the corresponding service period. Capstone Distributor Support Services Corporation (“CDSSC”), a related party, owns and operates the DSS program for the Company under a service agreement. Refer to Note 17—Commitments and Contingencies— Services Agreement between Reorganized PrivateCo and Operating Subsidiary for further details.

#### **Unsatisfied Performance Obligations**

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

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

#### **Practical Expedients**

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

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

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

### **11. Temporary Equity**

#### *Redeemable Preferred Units*

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

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

The Preferred Units also provide the holder with the option to convert all or less than all of the Preferred Units into Operating Subsidiary Common Units (“Common Units”) at any time and from time to time without the payment of additional consideration. If the holder elects to convert the Preferred Units, the specified number of Preferred Units to be converted will be divided by the total number of Preferred Units then outstanding times 37.5% of the Common Units deemed outstanding. To the extent some, but not all of the Preferred Units are converted, the 37.5% percentage will be proportionately reduced, and the same adjustment will apply for purposes of calculating other as-converted entitlements of the Preferred Units. None of the Preferred Units had been converted into Common Units as of June 30, 2025.

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

The terms for the holder of the noncontrolling interest include a liquidation preference that protects the holder from absorbing losses. The Company incurred a net loss of \$0.7 million during the three months ended June 30, 2025 and have had no periods with net income since the issuance of the preferred shares on December 7, 2023. Therefore, there have been no earnings to allocate resulting from the activities of the Operating Subsidiary as of June 30, 2025.

Management’s initial valuation of the Preferred Units was made under ASC 480-10-S99-3A and is specifically determined by the ‘redemption value’. This initial value was established using a fair value methodology, to establish the initial redemption value per the terms of the Capstone Green Energy LLC Agreement. The initial fair value of \$1.33 per Preferred Unit was determined through the use of an option-pricing method (“OPM”) that treats the common and preferred units as call options on the enterprise value of the Company with exercise prices based on the liquidation preference of the preferred units. The OPM incorporated multiple thresholds that represent future change of control sale prices where the payout structure would differ based on the rights and preferences of each share class. The OPM used was the Black-Scholes Metron (“BSM”) model to price the call option. The enterprise value utilized by the Company in the OPM represents the value agreed upon by the parties involved in our restructuring as approved by the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”).

Subsequent measurement under ASC 480-10-S99-3A for the redemption value follows the definition of redemption value as per the Capstone Green Energy LLC Agreement, which has been defined as greater of 1) the share price of CGEH shares (if CGEH is publicly traded), with appropriate adjustments for customary and appropriate factors, or 2) the Aggregate Purchase Price plus declared but unpaid dividends, the ‘maximum redemption value’. The subsequent measurement based on the redemption value method should not result in an amount that is less than the initial recorded value of \$13.9 million.

For the three months ended June 30, 2025, the Company’s Common Stock is publicly trading and the Preferred Units are not currently redeemable. The Company will measure the maximum redemption value at the end of each accounting period, which is based on the Company’s Common Stock value at period end. The closing value of CGEH stock was \$1.09 and \$0.75 as of June 30, 2025, and March 31, 2025, respectively.

At each reporting period, the Company remeasures the redemption value of the Preferred Units and adjusts the carrying value, if that value exceeds the initial fair value, to equal the maximum redemption value to retained earnings. The initial fair value measurement was \$13.9 million. Subsequent remeasurement of fair value has not exceeded the initial fair value; therefore, no adjustments have been made prior to the current period. The remeasurement as of June 30, 2025, also did not exceed the initial fair value; therefore, an adjustment to the carrying value was not recorded.

## **12. Net 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 if the Company incurred a loss, as the effect would have been anti-dilutive. In addition, the change in the carrying value of the Preferred Units is excluded from the calculation of diluted earnings per share.

The Company did not have any outstanding stock options or warrants as of June 30, 2025. In addition, there were no adjustments to the carrying value of the Preferred Units for the three months ended June 30, 2025, as subsequent remeasurement of fair value did not exceed the initial fair value.

### 13. Stock Compensation

The following table summarizes, by Condensed Consolidated Statements of Operations line item, stock-based compensation expense (in thousands). The Company recognized \$9 thousand of additional paid in capital related to stock compensation for CDSSC employees and is not included in the Company's Condensed Consolidated Statement of Operations.

	Three Months Ended June 30,	
	2025	2024
Cost of goods sold	\$ 31	\$ —
Research and development	30	—
Selling, general and administrative	288	57
Stock-based compensation expense	<u>\$ 349</u>	<u>\$ 57</u>

#### *Restricted Stock Units and Performance Restricted Stock Units*

The following table summarizes restricted stock unit activity:

Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value per Share
Non-vested restricted stock units outstanding at April 1, 2025	726,823	\$ 0.96
Granted	631,802	\$ 0.74
Vested and issued	(355,153)	\$ 0.74
Cancelled or forfeited	—	\$ —
Non-vested restricted stock units outstanding at June 30, 2025	<u>1,003,472</u>	<u>\$ 0.96</u>

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

Performance Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value
Non-vested restricted stock units outstanding at April 1, 2025	53,533	\$ 0.93
Granted	84,141	0.73
Vested and issued	—	—
Forfeited/cancelled	—	—
Non-vested restricted stock units outstanding at June 30, 2025	<u>137,674</u>	<u>\$ 0.93</u>

### 14. Fair Value Measurements

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

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

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

- Quoted prices for similar assets or liabilities in active markets

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

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

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

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

#### *Basis for Valuation*

The carrying values reported in the Condensed Consolidated Balance Sheets for cash, accounts receivable, accounts payable approximate their fair values because of the immediate or short-term maturities of these financial instruments. Financial and non-financial assets and liabilities measured on a recurring basis are those that are adjusted to fair value at each reporting period and include the Company's Preferred Units. The Company used the BSM model (Level 3) with standard valuation inputs to initially value the Preferred Units on December 7, 2023. The Company considers the subsequent measurement to be Level 2. The primary input is the measurement of the Preferred Units using the value of publicly traded shares of CGEH, which trade in an actively traded public market (OTC market). We consider the shares of CGEH to be similar, but not identical to the Common Units of Operating Subsidiary into which the Preferred Units may convert, and for which the underlying value are the assets, liabilities and operations of the Operating Subsidiary. CGEH is a holding company with no other business activity. Refer to Note 11— Temporary Equity.

### **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 \$0.1 million for three months ended June 30, 2025 and 2024.

### **16. Balance Sheet Information**

#### *Prepaid Expenses and Other Assets*

As of June 30, 2025, the Company had \$2.2 million of royalty-related assets remaining recorded within the Prepaid expenses and other current assets and other assets line items on the accompanying Condensed Consolidated Balance Sheets. The assets are being amortized over a 15-year period through September 2033 using an effective royalty rate.

A 15-year amortization period is the minimum expected life cycle of the current generation of products. The effective royalty rate is calculated as the prepaid royalty settlement divided by total projected microturbine system units over the 15-year amortization period. On a quarterly basis, the Company performs a re-forecast of microturbine system unit shipments to determine if an adjustment to the effective royalty rate is necessary and accordingly whether an impairment exists. The Company determined an impairment did not exist as of June 30, 2025, or March 31, 2025.

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

	June 30, 2025	March 31, 2025
Other royalty-related current assets	\$ 150	\$ 124
Other royalty-related noncurrent assets	2,032	2,102
Total royalty-related assets	<u>\$ 2,182</u>	<u>\$ 2,226</u>
Prepaid insurance current asset	330	148
Prepaid insurance noncurrent asset	398	431
Total prepaid insurance	<u>\$ 728</u>	<u>\$ 579</u>
Deposits current asset	169	169
Deposits noncurrent asset	99	172
Total deposits	<u>\$ 268</u>	<u>\$ 341</u>
Prepaid vendor inventory	1,601	2,126
Prepaid taxes	765	698
Other Assets	474	388
Total Prepaid expenses, other current assets and other assets	<u>\$ 6,018</u>	<u>\$ 6,358</u>

## 17. Commitments and Contingencies

### Purchase Commitments

As of June 30, 2025, the Company had firm commitments to purchase inventories of approximately \$38.8 million through Fiscal 2029. 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 14— Leases.

### Related Party Transactions

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

#### *Services Agreement between Reorganized PrivateCo and Operating Subsidiary*

On December 7, 2023, Operating Subsidiary entered into a Services Agreement by and among Reorganized PrivateCo and Operating Subsidiary (the “Reorganized PrivateCo Services Agreement”). The Reorganized PrivateCo Services Agreement provides that, among other things, Operating Subsidiary will provide certain services to Reorganized PrivateCo, and Reorganized PrivateCo will provide the Operating Subsidiary’s distributors on a subcontracted basis and, where applicable, to Operating Subsidiary, certain ongoing services and transition services related to Reorganized PrivateCo’s distributor support services business. Reorganized PrivateCo will pay to Operating Subsidiary a service fee (the “Reorganized PrivateCo Services Fee”) of an amount in cash equal to 90% of Reorganized PrivateCo’s Income (as defined in the Reorganized PrivateCo Services Agreement) less itemized expenses incurred and actually paid in cash by Reorganized PrivateCo in direct support of Operating Subsidiary’s distributors and in Reorganized PrivateCo’s performance of the services (excluding the Reorganized PrivateCo Services Fees). The Company reported \$0.5 and \$0.5 million of DSS service fees in Other income, net, during the three months ended June 30, 2025 and 2024, respectively.

#### *Trademark License Agreement*

On December 7, 2023, the Company entered into a Trademark License Agreement (the “Trademark License Agreement”) by and between Reorganized PrivateCo, as licensor, and the Company, as licensee. The Trademark License

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

#### *Services Agreement between the Company and Operating Subsidiary*

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

#### *Service Agreement with CFGI*

On January 12, 2024, the Company entered into a services agreement with CFGI, pursuant to which CFGI provides third party accounting consultancy services to the Company. A related person who is the son of John Juric, our Chief Financial Officer, is a staff employee at CFGI. We have been advised that, under the CFGI compensation policy, Mr. Juric's son was paid a commission related to the fees paid by the Company during the first year of the engagement. The Company incurred service fee expense of \$0.6 million for the three months ended June 30, 2025, and \$1.2 million for Fiscal 2025. There is no potential for bonus earnings in Fiscal 2026.

#### **Other Commitments**

The Company has agreements with certain of its distributors requiring that, if the Company renders parts obsolete in inventories the distributors own and hold in support of their obligations to serve fielded microturbines, then the Company is required to replace the affected stock at no cost to the distributors. While the Company has never incurred costs or obligations for these types of replacements, it is possible that future changes in the Company's product technology could result in and yield costs to the Company if significant amounts of inventory are held at distributors. As of June 30, 2025, no significant inventories of this nature were held at distributors.

#### **Legal Matters**

##### *Cal Microturbine Arbitration*

On March 13, 2024, Cal Microturbine, a current distributor of the Company, filed a complaint before the American Arbitration Association, seeking approximately \$24.5 million in damages and alleging that the Company breached the Distributor Agreement between the parties and committed fraud by allowing another company, to sell, rent and service turbines in Cal Microturbine's exclusive territory. On August 18, 2024, Cal Microturbine amended its complaint and reduced its damages claim to \$18.8 million. On September 9, 2024, the Company filed a counterclaim against Cal Microturbine for \$20.0 million, alleging various violations of the Distributor Agreement. On September 27, 2024, Cal Microturbine provided the second amendment to its complaint and increased its damages to \$25.0 million. There have been subsequent actions taken on sides by the parties to date, none of which have resulted in a definitive conclusion to the matter. The parties have completed selection of a three-person arbitration panel and a hearing date is scheduled for September 2025. The parties engaged in mediation in November and December 2024, and they are currently in settlement discussions. Discovery was scheduled to begin in November 2024 but has been stayed due to ongoing settlement

discussions. On December 8, 2024, the Company issued a notice of intent to terminate the Distributor Agreement with Cal Microturbine due to the alleged violations by Cal Microturbine. In February 2025, Cal Microturbine filed an action in California state court seeking a temporary restraining order (“TRO”) to preclude the Company from terminating the Distributor Agreement. Due to ongoing settlement discussions and extensions of the termination date during those discussions, the court has refrained from scheduling a TRO hearing. The Company has not recorded a liability as of June 30, 2025, as it is unable to estimate the possible loss or range of any 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 various claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 based on allegedly false and misleading statements and allegedly inadequate disclosure regarding the Company’s business, operations and prospects and the circumstances leading up to the restatement of the Company’s quarterly and annual financial statements. The suit is purportedly brought on behalf of persons and entities that purchased or otherwise acquired the Company’s securities between June 14, 2021, and September 22, 2023, and seeks to recover unspecified compensatory damages and other relief, including attorney’s fees. The Company is not a named respondent in this matter and has not engaged legal counsel.

The parties reached agreement on a settlement amount and on April 4, 2025, the parties filed an unopposed motion for the court to approve settlement and notice procedures. A preliminary hearing date was held on June 5, 2025, and a final settlement hearing date has been set for November 13, 2025. Expenses up to the \$1.3 million insurance deductible amount have either been incurred or accrued.

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

In August 2024, two filings were made by lawyers on behalf of current and former non-exempt Capstone employees against Capstone and one supervisory employee. Both filings allege various pay violations. The first action, filed with the Superior Court of the State of California, requested that the Court certify the employees as a Class. Capstone has arbitration agreements in place with those current and former employees, agreements which include a class action waiver. Accordingly, Capstone moved that the Court compel arbitration, which Plaintiffs opposed. At a hearing in January 2025, the Court determined that the arbitration agreements were enforceable. Then in April 2025, the Court determined that the employees were not entitled to exemption from the enforcement of the arbitration agreements under the Federal Arbitration Act. The second filing was made with the Labor Development Workforce Agency. While Plaintiffs recently filed a separate action under the Private Attorney General Act with the Superior Court of the State of California, the Company has not yet received a copy of the complaint. The Company has not recorded a liability as of June 30, 2025, as a loss is neither probable nor estimable.

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

On August 26, 2024, DV Energy, LLC (“DV Energy”), a Capstone distributor in Russia, filed a lawsuit in the Superior Court of California, County of Los Angeles to recover a \$0.7 million parts deposit, along with interest and legal fees. Among other things, DV Energy alleges breach of contract associated with a product order that Capstone was unable to deliver due to the imposition of U.S. sanctions following Russia’s invasion of Ukraine. The Company disputes DV Energy’s claim. DV Energy is also an unsecured creditor in the Chapter 11 proceedings of the Company’s predecessors but opted to file the complaint in the state court as well. The Bankruptcy Court placed pre-conditions on closure of the Chapter 11 proceedings. In April 2025, the Company filed motions with the Bankruptcy Court to deposit funds with the Registry of the Court pending the outcome of the state court litigation and to close the Chapter 11 proceedings. At a hearing on June 5, 2025, the Bankruptcy Court granted the Company’s motion to deposit funds with the Registry of the Court in the amount of \$0.8 million as a security pending the outcome of the state court litigation. The Company has deposited the funds with the Bankruptcy Court, and the Court has issued its Final Decree and Order Closing Debtors’ Chapter 11 proceedings and Terminating Services of Kroll Restructuring Administration LLC as Claims and Noticing Agent which amount other things, closed the Chapter 11 proceedings for the Debtors with immediate effect. There is no remaining deposit liability as of June 30, 2025.



## 18. Segment Information

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

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

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

	Three Months Ended June 30,	
	2025	2024
Revenue, net:	\$ 27,871	\$ 15,643
Less:		
Cost of revenue	20,307	11,856
Gross profit	7,564	3,787
Less:		
Research and development	814	548
Selling, general & administrative expenses	5,816	4,170
Non-recurring professional expenses (1)	1,105	2,613
Other (income) expense items (2)	527	393
Consolidated net loss	\$ (698)	\$ (3,937)

- (1) Non-recurring professional expenses include restructuring, financing, shareholder litigation, non-recurring legal, restatement, merger and acquisition activity, and SEC investigation.
- (2) Other segment items included in segment (income) expense include other income (expense), interest expense, interest income and income tax expense.

## 19. Subsequent Events

The Company has evaluated all subsequent events through the filing date of this Form 10-Q with the SEC, to ensure that this filing includes appropriate disclosure of events both recognized in the financial statements as of June 30, 2025, and events which occurred subsequently but were not recognized in the financial statements. There were no subsequent events, other than what has been described above, which required recognition, adjustment to or disclosure in the financial statements.

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

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

*All references in this Quarterly Report on Form 10-Q to "the Company," "we," "us," "our," or "Capstone" are to Capstone Green Energy Holdings, Inc. and its consolidated subsidiaries as of June 30, 2025, and March 31, 2025, and for the three months ended June 30, 2025 and 2024.*

### Special Note Regarding Forward-Looking Statements

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

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

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

- security and cybersecurity risks related to our electronic processing of sensitive and confidential business and product data;
- our ability to adequately develop and protect our intellectual property rights; and
- other risks and uncertainties discussed in “Item 1A. Risk Factors” included in our Annual Report on Form 10-K for Fiscal 2025.

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

## Overview

Capstone Green Energy Holdings, Inc., the successor to Capstone Green Energy Corporation along with its consolidated operating subsidiary, Capstone Green Energy LLC (the “Operating Subsidiary”), is a provider of customized microgrid solutions, on-site resilient Energy-as-a-Service (“EaaS”) solutions, and 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.

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 with 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 enhanced 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.

During the three months ended June 30, 2025, we had a net loss of \$0.7 million and a basic and diluted net loss per share of \$0.04 compared to net loss of \$3.9 million and basic and diluted net loss per share of \$0.21 during the three months ended June 30, 2024. The \$3.2 million change in net loss was primarily due to improved gross profit of \$3.8 million, driven by the impacts of price increases and lower unit costs offset by \$0.4 million higher total operating expenses, and by a \$0.2 million decrease in other income as compared to the three months ended June 30, 2024.

In the energy markets, we continue to expand our presence in the energy efficiency, natural resources, renewable energy, critical power, and microgrid power type of applications in the first quarter of Fiscal 2026. The microgrid market is for electrification demand. 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 further volatility of the oil and gas market, our business strategy is to continue diversification within the microgrid energy efficiency and renewable energy markets.

We continue to focus on improving our products based on customer input, building brand awareness and bringing new channels to market by developing a diversified network of strategic distribution partners. Our focus is on products

and solutions that provide near-term and longer-term opportunities to drive repeatable business and larger deal size 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 higher average selling prices, lower direct material costs, positive new order flow, reduced cash usage and expansion of the EaaS business.

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

1. Our industry-leading, highly efficient, low-emission, resilient microturbine energy systems offer 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, critical power and microgrid markets.

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

	Three Months Ended June 30,	
	2025	2024
Energy efficiency	15 %	36 %
Natural resources	6 %	34 %
Renewable energy	1 %	30 %
Critical power supply	3 %	— %
Microgrid	75 %	— %

#### *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 designed 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 certain 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 sour 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.

#### *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. 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*

Microgrid is a group of interconnected loads and distributed energy resources that act 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 are designed 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 the 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 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 \$16.5 million and \$3.4 million for the three months ended June 30, 2025 and 2024, respectively. Ending backlog was approximately \$24.6 million at June 30, 2025, compared to \$12.4 million at June 30, 2024. The book-to-bill ratio was 1.07:1 and 0.7:1 for the three months ended June 30, 2025 and 2024, respectively. Book-to-bill ratio is the ratio of new orders we received to units shipped and billed during a period.

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

2. ***Sales and Distribution Channels*** We seek out distributors that have business experience and capabilities to support our growth plans in our target 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 48 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 40 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 services primarily through our global distribution network. Together with our global distribution network, we offer a comprehensive factory protection plan (“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 are allowed to perform service on our microturbines. FPPs are generally paid quarterly in advance.
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 strategy focuses on meeting the specific needs of our target vertical markets. Our C65, C200, C600, C800, and C1000S Series microturbines will continue to be our foundational product lines. Our research and development efforts are primarily directed at enhancing the features and capabilities of these existing products.

To bolster power resilience, we are developing Direct Current (“DC”) output power solutions utilizing our core microturbine technology. This advancement will broaden our applications, allowing our microturbine solutions to be deployed in markets such as EV charging without requiring synchronization with traditional high-voltage Alternating Current (“AC”) utility grids. This offering will also provide a bridge during the rigorous process of grid interconnect certification from nationally recognized test laboratories.

We are also collaborating with industry leaders to create autonomous power solutions. These solutions are designed to anticipate overload conditions and proactively supplement insufficient grid resources with readily available microturbine power. Additionally, we are accelerating the development of onboard remote monitoring systems that are designed to ensure reliable power service and asset telemetry through cloud-based features, significantly improving the user experience.

We are committed to advancing our hydrogen product line. In March 2022, we launched a commercially available hydrogen-based combined heat and power (CHP) product capable of operating safely on a 30% hydrogen / 70% natural gas mixture. Building on this progress, we are currently testing a 100% hydrogen gas combustion system through our research and development partnership with Argonne National Laboratory. Following the successful operation of the C65 model, we are now working towards qualifying a 100% hydrogen-fueled C200 engine.

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

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

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

### Results of Operations

#### Three Months Ended June 30, 2025 and 2024

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

	Three Months Ended June 30,	
	2025	2024
United States and Canada	\$ 23.1	\$ 9.0
Europe	2.0	3.4
Latin America	1.6	0.8
Asia and Australia	1.1	2.2
Middle East and Africa	0.1	0.2
Total Revenue	<u>\$ 27.9</u>	<u>\$ 15.6</u>

**Revenue** for the three months ended June 30, 2025 increased \$12.3 million to \$27.9 million from \$15.6 million for the three months ended June 30, 2024. The increase was primarily driven by increases in revenue of \$14.1 million in the United States and Canada and \$0.8 million in Latin America, offset by a decrease in revenue of \$1.4 million in Europe, \$1.1 million in Asia and Australia and \$0.1 million in Middle East and Africa. The increases in the United States and Canada, Latin America and Europe were due to increased microturbine product, parts and rental demand. The decrease in Europe, Asia and Australia were primarily due to decreases in microturbine deliveries for projects in those regions during the three months ended June 30, 2025.

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

	Three Months Ended June 30,					
	2025			2024		
	Revenue	Megawatts	Units	Revenue	Megawatts	Units
Microturbine Product	\$ 15.4	8.5	32	\$ 5.3	4.0	19
Accessories	0.3			0.1		
Total Product and Accessories	15.7			5.4		
Parts and services	8.0			7.8		
Rentals	4.2			2.4		
Total Revenue	\$ 27.9			\$ 15.6		

For the three months ended June 30, 2025, revenue from microturbine products and accessories increased \$10.3 million, or 191%, to \$15.7 million from \$5.4 million for the three months ended June 30, 2024. The \$10.3 million increase was driven primarily by product mix, with the 4.5 megawatts increase in shipments during the three months ended June 30, 2025, including increased demand for our C1000 turbines, compared to the three months ended June 30, 2024. Average revenue per megawatt shipped was approximately \$1.8 million and \$1.3 million during the three months ended June 30, 2025 and 2024, respectively. The increase in revenue per megawatt resulted from price increases and product mix.

Parts and service revenue, which are part of our EaaS business line and includes revenue from our spare parts shipments, FPP contracts, and other service revenue, for the three months ended June 30, 2025, was consistent with increased revenues of \$0.2 million, or 3%, to \$8.0 million from \$7.8 million for the three months ended June 30, 2024.

Rentals revenue for three months ended June 30, 2025 increased \$1.8 million or 75%, to \$4.2 million from \$2.4 million for the three months ended June 30, 2024. This increase was driven by growth in rental utilization and increased rental prices.

Sales to Cal Microturbine and Lone Star Power Solutions, LLC (“Lone Star”), two of the Company’s domestic distributors, accounted for 47% and 10% of revenue for the three months ended June 30, 2025, respectively. Lone Star, Cal Microturbine and E-Finity Distributed Generation (“E-Finity”), three of the Company’s domestic distributors and Optimal Group Australia Pty Ltd, one of the Company’s international distributors, accounted for 16%, 13%, 11% and 11% of revenue for the three months ended June 30, 2024, respectively.

**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 \$7.6 million, or 27% of revenue for the three months ended June 30, 2025, compared to a gross profit of \$3.8 million, or 24% of revenue for the three months ended June 30, 2024. The improvement was primarily the result of an increase in product sales volume and the full effect of an increase in pricing and decreases in production and service center labor and overhead expenses. Effective March 2024, we increased our sales prices and we are continually negotiating to reduce material costs with vendors.



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

	Three Months Ended June 30,	
	2025	2024
<b>Gross Profit</b>		
Product and accessories	\$ 1.2	\$ (0.6)
As a percentage of product and accessories revenue	8 %	(11)%
Parts and services	\$ 4.2	\$ 4.4
As a percentage of parts and services revenue	53 %	56 %
Rentals	\$ 2.2	—
As a percentage of rentals revenue	52 %	— %
<b>Total gross profit</b>	<b>\$ 7.6</b>	<b>\$ 3.8</b>
As a percentage of total revenue	27 %	24 %

The improvement of \$1.8 million in product and accessories gross profit was primarily due to higher product pricing, improved cost efficiencies, high volume and product mix.

Product and accessories gross margin as a percentage of product and accessories revenue improved to 8% during the three months ended June 30, 2025, from negative 11% during the three months ended June 30, 2024, primarily due to higher product volume and revenue for the three months ended June 30, 2025. Parts and services gross margin as a percentage of parts and service revenue decreased to 53% during the three months ended June 30, 2025, compared to 56% during the three months ended June 30, 2024, primarily as a result additional cost for service during the three months ended June 30, 2025. Rentals gross margin as a percentage of rental revenue increased to 52% for the three months ended June 30, 2025, compared to 0% for the three months ended June 30, 2024, primarily due to increased rental pricing and utilization.

**Research and Development (“R&D”) Expenses** R&D expenses were \$0.8 million and \$0.5 million during the three months ended June 30, 2025 and 2024, respectively, and was 3% and 4% of revenue for the three months ended June 30, 2025, and 2024, respectively. During the three months ended June 30, 2025 as R&D programs for new product development and product enhancements expanded.

**Selling, General, and Administrative (“SG&A”) Expenses** SG&A expenses were \$6.9 million and \$6.8 million during the three months ended June 30, 2025 and 2024, respectively, and was 25% and 43% of revenue for the three months ended June 30, 2025, and 2024, respectively.

**Other Income** Other income was \$0.4 million and \$0.6 million during the three months ended June 30, 2025 and 2024.

**Interest Income.** Interest income was \$0.1 million and less than \$0.1 million during the three months ended June 30, 2025 and 2024, respectively..

**Interest Expense** Interest expense was \$1.0 million during both the three months ended June 30, 2025 and 2024.

## Liquidity and Capital Resources

### Cash Flows

Our cash requirements depend on many factors, including the execution of our business strategy and plan. Our cash and cash equivalents balance decreased \$2.0 million during the three months ended June 30, 2025, compared to an increase in cash of \$1.9 million during the three months ended June 30, 2024. The decrease in cash during the three months ended June 30, 2025 was primarily due to net cash used in operating activities.

**Operating Activities** During the three months ended June 30, 2025, net cash used by operating activities was \$1.6 million, consisting of a net loss for the period of \$0.7 million, changes in operating assets and liabilities of \$4.0 million offset by non-cash adjustments, primarily representing depreciation and amortization, non-cash lease expense, stock based compensation and paid-in-kind interest expense, totaling \$3.1 million.

For the three months ended June 30, 2024, net cash provided by operating activities was \$2.1 million, consisting of net loss of \$3.9 million, offset by changes in operating assets and liabilities of \$2.8 million and non-cash adjustments, primarily representing depreciation and amortization, non-cash lease expense and paid-in-kind interest expense, of \$3.2 million.

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

	Three Months Ended June 30,	
	2025	2024
Net loss	\$ (0.7)	\$ (3.9)
Non-cash operating activities(1)	3.1	3.2
Changes in operating assets and liabilities:		
Accounts receivable	(4.2)	(0.8)
Inventories	0.3	0.3
Lease receivable	—	—
Accounts payable	2.4	4.2
Accrued expenses	0.1	(0.4)
Operating lease liability, net	(0.8)	(1.0)
Prepaid expenses, other current assets and other assets	0.3	0.9
Factory protection plan liability	0.6	(0.9)
Other changes in operating assets and liabilities	(2.7)	0.5
Net cash provided by (used in) operating activities	<u>\$ (1.6)</u>	<u>\$ 2.1</u>

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

The \$3.4 million increase in use of cash in accounts receivable resulted from the timing of sales in the three months ended June 30, 2025 and 2024. The \$1.8 million decrease in cash provided by accounts payable resulted from the timing of payment of trade accounts. The \$0.5 million increase in cash provided by accrued expenses was primarily due to a decrease in legal accrual and accrued sponsorship related to litigation that has since been resolved. The \$0.2 million decrease in use of cash by operating lease liability was primarily due to a decrease in lease liability. The \$0.6 million decrease in cash provided from prepaid and other assets is primarily the result of usage of prepaid inventory. The \$1.5 million increase in cash provided by FFP liability was primary driven by an increase in value of new claims outpacing the fulfillment of claims. The \$3.2 million increase in cash used in other operating assets and liabilities, was primarily driven by an increase in cash used in deferred revenue of \$3.8 million primarily driven by increased shipments in the three months ended June 30, 2025 compared to the three months ended June 30, 2024, lowering attributable customer deposits, and decrease in FPP deferred revenue, offset by \$0.6 increase in cash provided in accrued salaries and wages and other long term liabilities primarily driven by the Company's Annual Incentive Program ("AIP") bonus accrual in the three months ended June 30, 2025. There were no significant changes in inventory or lease receivable.

**Investing Activities** Net cash used in investing activities was \$0.1 million during the three months ended June 30, 2025 and 2024, respectively, primarily due to investments in operating assets.

**Financing Activities** Net cash used in financing activities of \$0.3 million and \$0.1 million during the three months ended June 30, 2025 and 2024, respectively, was used for repayment of finance lease obligations. Additionally, during the three months ended June 30, 2025 there was the accumulation of treasury stock resulting from the tax withholdings of employee stock vesting.

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

**Lease Commitments** Refer to Note 9— Leases in the Notes to Condensed Consolidated Financial Statements for information related to our leases.

**Going Concern** In connection with the preparation of the Condensed Consolidated Financial Statements for the three months ended June 30, 2025, management evaluated whether there were conditions and events, considered in the aggregate, that raised substantial doubt about the Company's ability to meet its obligations as they become due over the next twelve months from the date of the issuance of the financial statements. As of June 30, 2025, the Company had cash

of \$6.6 million and a working capital deficit of \$14.2 million. The Company incurred a net loss of \$0.7 million during the three months ended June 30, 2025.

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

The Company has initiated financing discussions with its advisors to refinance the New Money Note and add additional liquidity. There is not guarantee that the Company will be successful in its financing efforts.

Given the Company's current cash position, lack of liquidity, short term debt repayments, limits to accessing capital and debt funding options and current economic and market risks, there exists substantial doubt regarding the Company's ability to continue as a going concern and its ability to meet its financial obligations as they become due over the next twelve months from the date of issuance of the financial statements as of, and for the period ended June 30, 2025

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

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

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

### **Item 4. Controls and Procedures**

#### *Disclosure Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure 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-Q for the three months ended June 30, 2025, an evaluation was performed under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in and pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our CEO and CFO have concluded that, as of June 30, 2025, due to the material weaknesses in our internal control over financial reporting described below, our financial reporting controls and procedures were not effective.

Notwithstanding the identified material weakness, management believes the consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our consolidated financial position and consolidated results from operations and cash flows for the quarter ended June 30, 2025, and our financial condition as of each such date and have been prepared in conformity with GAAP.

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

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our CEO and CFO and effected by our Board, management and other

personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

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

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

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

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

#### *Management's Remediation Plan*

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

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

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

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.

## **PART II — OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Refer to Note 17 – Commitments and Contingencies — Legal Matters, in the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for information regarding legal proceedings in which we are

involved. The Company is from time to time a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. In addition, the Company and certain of its former and current directors and officers are a party to several material legal proceedings. The outcome of litigation is inherently uncertain. If one or more legal matters were to be resolved against the Company in a reporting period for amounts in excess of management's expectations, the Company's financial condition and operating results for that reporting period could be materially adversely affected.

#### **Item 1A. Risk Factors**

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

#### **Item 5. Other Information**

##### *Rule 10b5-1 Trading Plans*

During the quarter ended June 30, 2025, none of our directors or officers adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities to satisfy the affirmative defense conditions of "Rule 10b5-1 trading arrangement" or any "non-Rule 10b5-1 trading arrangement."

## Item 6. Exhibits

Exhibit Number	Description
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of Capstone Green Energy Holdings, Inc. (a)</a>
3.2	<a href="#">Amended and Restated Bylaws of Capstone Green Energy Holdings, Inc. (a)</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 (b)</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 (c)</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 (a)</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, (d)</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32**	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</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 Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2025, formatted in Inline XBRL and contained in Exhibit 101

\* Filed herewith  
\*\* Furnished herewith

- (a) Incorporated by reference to Capstone Green Energy Holdings, Inc.'s Current Report on Form 8-K12G3 filed on December 11, 2023 (File No. 001-15957).
- (b) Incorporated by reference to Capstone Green Energy Corporation's Current Report on Form 8-K filed on October 3, 2023 (File No. 001-15957).
- (c) Incorporated by reference to Capstone Green Energy Corporation's Current Report on Form 8-K filed on November 17, 2023 (File No. 001-15957).
- (d) Incorporated by reference to Capstone Green Energy Holdings, Inc.'s Current Report on Form 8-K filed on June 28, 2024 (File No. 001-15957).

## SIGNATURES

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

CAPSTONE GREEN ENERGY HOLDINGS, INC.

By:                     /s/ JOHN J. JURIC                      
                    John J. Juric  
                    *Chief Financial Officer*  
                    *(Principal Financial Officer)*

Date: August 7, 2025

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**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**

I, Vince J. Canino, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Capstone Green Energy Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2025

By: /s/ VINCE J. CANINO

Vince J. Canino

*President and Chief Executive Officer*  
*(Principal Executive Officer)*

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**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**

I, John J. Juric, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Capstone Green Energy Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2025

By: /s/ JOHN J. JURIC  
John J. Juric  
Chief Financial Officer  
(Principal Financial Officer)

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In connection with the quarterly report of Capstone Green Energy Holdings, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Vince J. Canino, as Chief Executive Officer of the Company, and John J. Juric, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

- By: /s/ VINCE J. CANINO  
Vince J. Canino  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*
- By: /s/ JOHN J. JURIC  
John J. Juric  
*Chief Financial Officer*  
*(Principal Financial Officer)*

Date: August 7, 2025