UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

# FORM 10-Q

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

For the quarterly period ended March 31, 2025

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

**Commission file number 001-36103**

## TECOGEN INC.

*(Exact name of Registrant as specified in its charter)*

| | |
|---|---|
| **Delaware** | **04-3536131** |
| *(State or Other Jurisdiction of Incorporation or Organization)* | *(IRS Employer Identification No.)* |

**76 Treble Cove Road**
**North Billerica, Massachusetts 01862**
*(Address of Principal Executive Offices and Zip Code)*

**(781) 466-6402**
*(Registrant's telephone number, including area code)*

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

| Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|---|---|---|
| Common Stock, $0.001 par value per share | TGEN | NYSE American LLC |

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

As of May 12, 2025, 25,259,267 shares of common stock, $0.001 par value per share, of the registrant were issued and outstanding.

QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED MARCH 31, 2025
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PART I - FINANCIAL INFORMATION



*References in this Form 10-Q to "we", "us", "our"', the "Company" and "Tecogen" refers to Tecogen Inc. and its consolidated subsidiaries, unless otherwise noted.*

**PART I - FINANCIAL INFORMATION**
**Item 1 - Financial Statements**

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

| | March 31, 2025 | December 31, 2024 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 4,066,793 | $ 5,405,233 |
| Accounts receivable, net | 5,849,511 | 6,026,545 |
| Inventories, net | 9,886,750 | 9,634,005 |
| Unbilled revenue | 126,738 | 398,898 |
| Prepaid and other current assets | 684,548 | 680,565 |
| Total current assets | 20,614,340 | 22,145,246 |
| Long-term assets: | | |
| Property, plant and equipment, net | 1,774,288 | 1,738,036 |
| Right-of-use assets - operating leases | 1,768,309 | 1,730,358 |
| Right-of-use assets - finance leases | 646,874 | 452,390 |
| Intangible assets, net | 2,421,355 | 2,513,189 |
| Goodwill | 2,346,566 | 2,346,566 |
| Other assets | 154,096 | 166,474 |
| **TOTAL ASSETS** | $ 29,725,828 | $ 31,092,259 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Related party notes, current portion | $ 512,187 | $ 1,548,872 |
| Accounts payable | 4,346,918 | 4,142,678 |
| Accrued expenses | 2,827,144 | 2,890,886 |
| Deferred revenue, current portion | 5,656,983 | 6,701,131 |
| Operating lease obligations, current portion | 456,370 | 430,382 |
| Finance lease obligations, current portion | 113,249 | 85,646 |
| Acquisition liabilities, current portion | 936,564 | 902,552 |
| Unfavorable contract liability, current portion | 97,376 | 113,449 |
| Total current liabilities | 14,946,791 | 16,815,596 |
| Long-term liabilities: | | |
| Related party notes, net of current portion | 1,055,122 | — |
| Deferred revenue, net of current portion | 1,169,075 | 1,165,951 |
| Operating lease obligations, net of current portion | 1,355,685 | 1,341,789 |
| Finance lease obligations, net of current portion | 457,865 | 325,235 |
| Acquisition liabilities, net of current portion | 938,407 | 1,008,760 |
| Unfavorable contract liability, net of current portion | 291,390 | 309,390 |
| Total liabilities | 20,214,335 | 20,966,721 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Tecogen Inc. shareholders' equity: | | |
| Common stock, $0.001 par value; 100,000,000 shares authorized; 24,985,261 issued and outstanding at March 31, 2025 and 24,950,261 shares issued and outstanding at December 31, 2024 | 24,985 | 24,950 |
| Additional paid-in capital | 57,924,587 | 57,845,289 |
| Accumulated deficit | (48,299,816) | (47,639,894) |
| Total Tecogen Inc. stockholders' equity | 9,649,756 | 10,230,345 |
| Non-controlling interest | (138,263) | (104,807) |
| Total stockholders' equity | 9,511,493 | 10,125,538 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 29,725,828 | $ 31,092,259 |

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

| | Three Months Ended | |
|---|---|---|
| | March 31, 2025 | March 31, 2024 |
| **Revenues** | | |
| Products | $ 2,533,809 | $ 1,491,398 |
| Services | 4,245,022 | 4,014,310 |
| Energy production | 498,939 | 680,389 |
| Total revenues | 7,277,770 | 6,186,097 |
| **Cost of sales** | | |
| Products | 1,487,750 | 1,049,543 |
| Services | 2,258,898 | 2,092,257 |
| Energy production | 310,082 | 468,640 |
| Total cost of sales | 4,056,730 | 3,610,440 |
| **Gross profit** | 3,221,040 | 2,575,657 |
| **Operating expenses:** | | |
| General and administrative | 2,928,135 | 2,848,568 |
| Selling | 594,481 | 529,669 |
| Research and development | 292,668 | 254,696 |
| Gain on disposition of assets | — | (7,391) |
| Total operating expenses | 3,815,284 | 3,625,542 |
| Loss from operations | (594,244) | (1,049,885) |
| Other income (expense) | | |
| Other income (expense), net | (14,245) | (15,747) |
| Interest expense | (32,326) | (18,670) |
| Unrealized gain (loss) on investment securities | (18,749) | 18,749 |
| Total other income (expense), net | (65,320) | (15,668) |
| Loss before provision for state income taxes | (659,564) | (1,065,553) |
| Provision for state income taxes | 925 | 22,063 |
| Consolidated net loss | (660,489) | (1,087,616) |
| (Income) loss attributable to the non-controlling interest | 567 | (17,351) |
| Loss attributable to Tecogen Inc. | $ (659,922) | $ (1,104,967) |
| | | |
| Net loss per share - basic | $ (0.03) | $ (0.04) |
| Weighted average shares outstanding - basic | 24,954,928 | 24,850,261 |
| Net loss per share - diluted | $ (0.03) | $ (0.04) |
| Weighted average shares outstanding - diluted | 24,954,928 | 24,850,261 |

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

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three Months Ended March 31, 2025 and 2024
(unaudited)

| Three Months ended March 31, 2025 | Common Stock Shares | Common Stock $0.001 Par Value | Additional Paid-In Capital | Accumulated Deficit | Non-controlling Interest | Total |
|---|---|---|---|---|---|---|
| Balance at December 31, 2024 | 24,950,261 | $ 24,950 | $ 57,845,289 | $ (47,639,894) | $ (104,807) | $ 10,125,538 |
| Exercise of stock options | 35,000 | 35 | 38,465 | — | — | 38,500 |
| Stock-based compensation expense | — | — | 40,833 | — | — | 40,833 |
| Distributions to non-controlling interest | — | — | — | — | (32,889) | (32,889) |
| Net loss | — | — | — | (659,922) | (567) | (660,489) |
| Balance at March 31, 2025 | 24,985,261 | $ 24,985 | $ 57,924,587 | $ (48,299,816) | $ (138,263) | $ 9,511,493 |

| Three Months ended March 31, 2024 | Common Stock Shares | Common Stock $0.001 Par Value | Additional Paid-In Capital | Accumulated Deficit | Non-controlling Interest | Total |
|---|---|---|---|---|---|---|
| Balance at December 31, 2023 | 24,850,261 | $ 24,850 | $ 57,601,402 | $ (42,879,656) | $ (94,301) | $ 14,652,295 |
| Stock-based compensation expense | — | — | 44,535 | — | — | 44,535 |
| Net (loss) income | — | — | — | (1,104,967) | 17,351 | (1,087,616) |
| Balance at March 31, 2024 | 24,850,261 | $ 24,850 | $ 57,645,937 | $ (43,984,623) | $ (76,950) | $ 13,609,214 |

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| | Three Months Ended | |
|---|---|---|
| | March 31, 2025 | March 31, 2024 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Consolidated net loss | $ (660,489) | (1,087,616) |
| *Adjustments to reconcile net loss to net cash provided by (used in) operating activities:* | | |
| Depreciation and amortization | 185,695 | 140,137 |
| Provision for (recovery of) credit losses | (75,000) | 14,258 |
| Stock-based compensation | 40,833 | 44,535 |
| Unrealized (loss) gain on investment securities | 18,749 | (18,749) |
| Gain on disposition of assets | — | (7,391) |
| Non-cash interest expense | 18,852 | 6,400 |
| *Changes in operating assets and liabilities* | | |
| (Increase) decrease in: | | |
| Accounts receivable | 252,034 | 234,095 |
| Inventory | (252,745) | 532,418 |
| Unbilled revenue | 272,160 | — |
| Prepaid assets and other current assets | (3,983) | (48,933) |
| Other assets | 71,264 | 194,283 |
| Increase (decrease) in: | | |
| Accounts payable | 204,237 | (500,516) |
| Accrued expenses and other current liabilities | (63,742) | 167,789 |
| Deferred revenue | (1,041,023) | 791,181 |
| Other liabilities | (140,245) | (213,675) |
| Net cash provided by (used in) operating activities | (1,173,403) | 248,216 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (132,020) | (104,952) |
| Proceeds from disposition of assets | — | 33,013 |
| Distributions to non-controlling interest | (32,889) | — |
| Net cash used in investing activities | (164,909) | (71,939) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Finance lease principal payments | (38,628) | (17,112) |
| Proceeds from exercise of stock options | 38,500 | — |
| Net cash used in financing activities | (128) | (17,112) |
| Net increase (decrease) in cash and cash equivalents | (1,338,440) | 159,165 |
| Cash and cash equivalents, beginning of the period | 5,405,233 | 1,351,270 |
| Cash and cash equivalents, end of the period | $ 4,066,793 | $ 1,510,435 |
| | | |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for interest | $ 13,474 | $ 11,855 |
| Cash paid for taxes | $ 925 | $ 425 |
| | | |
| **Non-cash investing activities** | | |
| Right-of-use assets acquired under operating leases | $ 115,857 | $ 1,429,977 |
| Right-of-use assets acquired under finance leases | $ 226,794 | $ 200,187 |
| Aegis Contract and Related Asset Acquisition: | | |
| Contingent consideration | $ — | $ 92,409 |

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

## Note 1. Description of Business and Basis of Presentation

*Description of Business*

Tecogen Inc. (together with its subsidiaries "we", "our", "us", "Tecogen," or "Company"), a Delaware corporation, was incorporated on September 15, 2000. We produce commercial and industrial, natural-gas-fueled engine-driven, combined heat and power (CHP) products that reduce energy costs, decrease greenhouse gas emissions and alleviate congestion on the national power grid. Our products supply electric power or mechanical power for cooling, while heat from the engine is recovered and purposefully used at a facility. The majority of our customers are located in regions with the highest utility rates, typically California, the Midwest and the Northeast.

Our operations are comprised of three business segments. Our Products segment designs, manufactures and sells industrial and commercial cogeneration systems. Our Services segment provides operation and maintenance services to customers for our products. Our Energy Production segment sells energy in the form of electricity, heat, hot water and cooling to our customers under long-term sales agreements.

*Liquidity, Going Concern and Management's Plans*

The condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") assuming that we will continue as a going concern, which contemplates the realization of assets and the settlement of obligations in the normal course of business. As of March 31, 2025, our cash and cash equivalents were $4,066,793, compared to $5,405,233 at December 31, 2024, a decrease of $1,338,440. For the three months ended March 31, 2025 we used $1,173,403 in cash from operations and an operating loss of $594,244, due to a decrease in Services gross margin percentage due to higher labor and material costs and an increase in operating expenses. Working capital at March 31, 2025 was $5,667,549, compared to $5,329,650 at December 31, 2024, an increase of $337,899 and our accumulated deficit was $48,299,816.

As a result of the above factors, management has performed an analysis to evaluate the entity's ability to continue as a going concern for one year after the financial statements issuance date. Management's analysis includes forecasting future revenues, expenditures and cash flows, taking into consideration past performance as well as key initiatives recently undertaken. Our forecasts are dependent on our ability to maintain margins based on the Company's ability to close on new and expanded business, leverage existing working capital, and effectively manage expenses. New and expanded business includes the newly developed hybrid-drive air-cooled chillers, the acquisition of additional maintenance contracts in February 2024 and May 2024, and the expansion of markets served by our chiller products into the data center market, which is currently experiencing power constraints. Our backlog at March 31, 2025 was $9,522,015. Based on management's analysis, we believe that cash flows from operations and the proceeds from related party notes will be sufficient to fund operations over the next twelve months. There can, however, be no assurance we will be able to do so and we may be required to raise additional financing through one or more equity or debt financings. There can be no assurance that we will be able to raise such additional financing or upon terms acceptable to us or at all. Based on our analysis, the condensed consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if we were unable to continue as a going concern.

Our common stock is listed on the NYSE American stock exchange and trades under the symbol "TGEN." See Note 14. Subsequent Events of the Notes to Condensed Consolidated Financial Statements.

*Basis of Presentation*

The financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board, or FASB. The FASB sets generally accepted accounting principles, or GAAP, to ensure financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification, or ASC. We adopted the presentation requirements for noncontrolling interests required by ASC 810 Consolidation. Under ASC 810, earnings or losses attributed to the noncontrolling interests are reported as part of the consolidated earnings and not a separate component of income or expense.

The accompanying condensed consolidated financial statements include our accounts and the accounts of the entities in which we have a controlling financial interest. Those entities include our wholly-owned subsidiary, American DG Energy Inc. ("ADGE"), Tecogen CHP Solutions, Inc., and a joint venture, American DG New York, LLC, or ADGNY, in which ADGE holds a 51.0% interest. As the controlling partner, all major decisions in respect of ADGNY are made by ADGE in accordance with the joint venture agreement. The interests in the individual underlying energy system projects in ADGNY vary between ADGE and its joint venture partner. The noncontrolling interest and distributions are determined based on economic ownership. The economic ownership is calculated by the amount invested by us and the noncontrolling partner in each site.

Each quarter, we calculate a year-to-date profit or loss for each site that is part of ADGNY and the noncontrolling interest percent of economic ownership in each site is applied to determine the noncontrolling interest share in the profit or loss. The same methodology is used to determine quarterly distributions of available cash to the noncontrolling interest partner. On our balance sheet, noncontrolling interest represents the joint venture partner's investment in ADGNY, plus its share of after-tax profits less any cash distributions. ADGE owned a controlling 51.0% legal and economic interest in ADGNY as of March 31, 2025 and December 31, 2024. Operating results for the three months ended March 31, 2025 are not necessarily indicative of the results that may be expected for the year ending December 31, 2025. All intercompany transactions have been eliminated in consolidation.

The condensed consolidated balance sheet at December 31, 2024 has been derived from the audited consolidated financial statements at that date included in our Annual Report on Form 10-K for the year ended December 31, 2024, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in Tecogen's Annual Report on Form 10-K for the year ended December 31, 2024.

*Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Income Taxes*

The provisions for income taxes in the accompanying unaudited consolidated statements of operations differ from that which would be expected by applying the federal statutory tax rate primarily due to losses for which no benefit is recognized.

*Business Combinations*

In accordance with applicable accounting standards, we estimate the fair value of assets acquired and liabilities assumed as of the acquisition date of each business combination. Any excess purchase price over the fair value of the net tangible and intangible assets acquired is allocated to goodwill. We may make certain estimates and assumptions when determining the fair values of assets acquired and liabilities assumed, including intangible assets. Critical estimates in valuing certain intangible assets include but are not limited to future expected cash flows from energy production sites or customer maintenance contracts, estimated operating costs, as well as discount rates. At the acquisition date, we will also record acquisition related liabilities, if applicable, for any contingent consideration or deferred payments to the seller and pre-acquisition deferred maintenance contingencies identified at service contract acquisition. Contingent consideration and pre-acquisition deferred maintenance contingencies are recorded at fair value on the acquisition date based on our expectation of achieving the contractually defined revenue targets and actual and projected future costs. The fair value of the contingent consideration and pre-acquisition deferred maintenance liabilities are remeasured each reporting period after the acquisition date and any changes in the estimated fair value are reflected as gains or losses in cost of goods sold or general and administrative expense in the condensed consolidated statement of operations. Contingent consideration liabilities and deferred payments to sellers are recorded as current liabilities and other long-term liabilities in the consolidated balance sheets based on the expected timing of settlement.

Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Any changes to provisional amounts identified during the measurement period are recognized in the reporting period in which the adjustment amounts are determined. Transaction costs associated with business combinations are expensed as incurred.

*Segment Information*

Our operations are comprised of three business segments. Our Products segment designs, manufactures and sells industrial and commercial cogeneration systems as described above. Our Services segment installs and maintains our cogeneration systems. Our Energy Production segment sells energy in the form of electricity, heat, hot water and cooling to our customers under long-term sales agreements. Segment profit is based on operating income after the elimination of intercompany transactions. Segment profit is a measure of operating performance of our reportable segments and may not be comparable to similar measures reported by other companies. Segment profit is a performance metric utilized by our Chief Executive Officer, who is our Chief Operating Decision Maker, to allocate resources to and access performance of our segments. See Note 13. Segments of the Notes to Condensed Consolidated Financial Statements, for a reconciliation of segment profit to income from operations.

**Recently Issued Accounting Standards**

*Income Taxes (Topic 740) - Improvements to Income Tax Disclosure*s. In December 2023, the Financial Accounting Standards Board issued ASU 2023-09, *Income Taxes (Topic 740) - Improvements to Income Tax Disclosures*. ASU 2023-09 provides more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this update are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The adoption of Topic 740 did not have a material effect on our consolidated financial statements, other than with respect to expanded disclosure.

*Compensation - Stock Compensation (Topic 718)* - In March 2024, the Financial Accounting Standards Board Issued ASU 2024-01, *Compensation - Stock Compensation (Topic 718)*. ASU 2024-01 addresses generally accepted accounting principles relating to profits interest awards and similar awards provided to employees or non-employees to align compensation with an entity's operating performance and provide the holders with the opportunity to participate in future profits and/or equity appreciation of the entity. Since profits interest holders only participate in future profits and/or equity appreciation and have no rights to the existing assets of the entity, a profits interest award should be accounted for as a share-based compensation arrangement (Topic 718) or similar to a cash bonus or profit-sharing arrangement (Topic 710). The amendments in this update apply to all entities that enter into share-based payment transactions and are effective for annual periods beginning after December 15, 2024 and interim periods for those annual periods. Early adoption is permitted for both interim and annual periods that have not yet been issued or made available for issuance. If adopted in an interim period, the update should be adopted as of the beginning of the annual period that includes the interim period. The amendments can be applied retrospectively to all prior periods presented in the financial statements or prospectively to profits interest and similar awards granted or modified on or after the date the entity first applies the amendments. If applied retrospectively, the entity is required to provide disclosures in paragraphs 250-10-50-1 through 50-3. If applied prospectively, the entity is required to disclose the nature and reason for the change in accounting principle. The adoption of ASU 2024-01 did not have a material effect on our financial position or results of operation.

*Codification Improvements – Amendments to Remove References to the Concepts Statements*. In March 2024, the Financial Accounting Standards Board Issued ASU 2024-02, *Codification Improvements – Amendments to Remove References to the Concepts Statements*. ASU 2024-02 contains amendments to the Codification that remove references to various FASB Concept Statements, affecting a variety of Topics in the Codification and applies to all reporting entities. The amendments in this update are effective for public entities for fiscal years beginning after December 15, 2024. Early application of the amendments in this update are permitted for any fiscal year or interim period for which financial statements have not yet been issued or made available for issuance. If adopted in an interim period, the amendment must be adopted as of the beginning of the fiscal year that includes the interim period. An entity should apply the amendments prospectively to all new transactions recognized on or after the date that the entity first applies the amendments, or retrospectively to the beginning of the earliest comparative period presented in which the amendments were first applied, by adjusting the opening balance of retained earnings, or other appropriated components of equity or net assets, as of the beginning of the earliest comparative period presented. The adoption of ASU 2024-02 did not have a material effect on our financial position or results of operation.

*Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40)*. In November 2024, the Financial Accounting Standards Board Issued ASU 2024-03 *Income Statement- Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40)*. This update is intended to improve disclosures about public entity's expenses and will require more detailed information about types of expenses including inventory purchases, employee compensation, depreciation, amortization and depletion in commonly presented captions such as cost of sales, SG&A and research and development. In addition, an entity will be required to include certain amounts that are already disclosed under GAAP in the same disclosure as the other disaggregation requirements; disclose a qualitative description of the amounts remaining in expense captions not separately disaggregated quantitatively; and, disclose the amount of selling expense and, in annual reporting periods, the entity's definition of selling expenses. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied prospectively to the financial statements after the effective date and retrospectively to any and all prior periods presented in the financial statements. ASU 2024-03 will apply to Tecogen after December 15, 2026, adoption of which will not have a material effect on our financial position or results of operation, but will require additional disclosure.

## Note 2. Revenue

Revenue is recognized when performance obligations under the terms of a contract with our customer are satisfied; generally this occurs with the transfer of control of our products, services, and energy production. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services or energy to customers.

Shipping and handling fees billed to customers in sales transactions are recorded in revenue and shipping and handling costs incurred are recorded in cost of sales. We have elected to exclude from revenue any value-added sales and other taxes which we collect concurrent with revenue-producing activities. These accounting policy elections are consistent with the manner in which we historically recorded shipping and handling fees and value-added taxes. Incremental costs incurred by us to obtain a contract with a customer are negligible, if any, and are expensed ratably in proportion to the related revenue recognized.

**Disaggregated Revenue**

In general, our business segmentation is aligned according to the nature and economic characteristics of our products and customer relationships and provides meaningful disaggregation of each business segment's results of operations. (See Note 13. Segments of the Notes to Condensed Consolidated Financial Statements.)

The following table further disaggregates our revenue by major source and by segment for the three months ended March 31, 2025 and 2024.

| | Three Months Ended | |
|---|---|---|
| **Revenues** | **March 31, 2025** | **March 31, 2024** |
| Products: | | |
| Cogeneration | $ 1,080,369 | $ 774,229 |
| Chiller | 1,374,197 | 657,061 |
| Engineered Accessories | 79,243 | 60,108 |
| Total Products Revenue | 2,533,809 | 1,491,398 |
| Services | 4,245,022 | 4,014,310 |
| Energy production | 498,939 | 680,389 |
| Total revenues | $ 7,277,770 | $ 6,186,097 |

**Products Segment**

*Products.* Our Products revenues include cogeneration systems that supply electricity and hot water, chillers that provide air-conditioning and hot water and engineered accessories, which consist of ancillary products and parts necessary to install a cogeneration unit including integration into the customers’ existing electrical and mechanical systems. We refer to the package of engineered accessories and engineering and design services necessary for the customers' installation of a cogeneration unit as light installation services.

We transfer control and generally recognize a sale when we ship a product from our manufacturing facility at which point title has transferred and the customer takes ownership of the product. Payment terms on product sales are generally thirty (30) days.

We recognize revenue in certain circumstances before delivery to the customer has occurred (commonly referred to as bill and hold transactions). We recognize revenue related to such transactions once, among other things, the customer has made a written fixed commitment to purchase the product(s) under normal billing and credit terms, the customer has requested the product(s) be held for future delivery as scheduled and designated by them, risk of ownership has been assumed by the customer, and the product(s) are tagged as sold and segregated for storage awaiting further direction from the customer. Due to the infrequent nature and duration of bill and hold arrangements, the value associated with custodial storage services is deemed immaterial in the context of the contract and in total, and accordingly, none of the transaction price is allocated to such service.

Depending on the product and terms of the arrangement, we may defer the recognition of a portion of the transaction price received because we have to satisfy a future obligation (e.g., product start-up service). Amounts allocated to product start-up services are recognized as revenue when the start-up service has been completed. We use an observable selling price to determine standalone selling prices where available and either a combination of an adjusted market assessment approach, an expected cost plus a margin approach, and/or a residual approach to determine the standalone selling prices for separate performance obligations as a basis for allocating contract consideration when an observable selling price is not available. Amounts received but not recognized pending completion of performance are recognized as contract liabilities and are recorded as deferred revenue along with deposits by customers.

**Services Segment**

Maintenance services are provided under either long-term maintenance contracts or time and material maintenance contracts. Revenue under time and material maintenance contracts is recognized when the maintenance service is completed. Revenue under long-term maintenance contracts is recognized either ratably over the term of the contract where the contract price is fixed or when the periodic maintenance activities are completed and the invoiced cost to the customer is based on run hours or kilowatts produced in a given period. We use an output method to measure progress towards completion of our performance obligation which results in the recognition of revenue on the basis of a direct measurement of the value to the customer of the services transferred to date relative to the remaining services promised under the contract. We use the practical expedient at ASC 606-10-55-18 of recognizing revenue in an amount equal to the amount we have the right to invoice the customer under the contract.

Our initial acquisition of the Aegis maintenance contracts and related business closed on March 15, 2023. We have included the financial results of the Aegis maintenance agreements in our condensed consolidated financial statements from April 1, 2023, from February 1, 2024 and from May 1, 2024, the closing or acquisition dates for the acquisitions in our revenue from the Services segment. See Note 7. Aegis Contract and Related Asset Acquisitions of the Notes to Condensed Consolidated Statements for a further discussion of the Aegis acquisition. Payment terms for maintenance services are generally thirty (30) days.

**Energy Production Segment**

Revenue from energy contracts is recognized when electricity, heat, hot and/or chilled water is produced by our owned on-site cogeneration systems. Each month we bill the customer and recognize revenue for the various forms of energy delivered, based on meter readings which capture the quantity of the various forms of energy delivered in a given month under a contractually defined formula which takes into account the current month's cost of energy from the local power utility.

As the various forms of energy delivered by us under energy production contracts are simultaneously delivered and consumed by the customer, our performance obligation under these contracts is considered to be satisfied over time. We use an output method to measure progress towards completion of our performance obligation which results in the recognition of revenue on the basis of a direct measurement of the value to the customer of the services transferred to date relative to the remaining services promised under the contract. We use the practical expedient at ASC 606-10-55-18 of recognizing revenue in an amount equal to that amount to which we have the right to invoice the customer under the contract. Payment terms on invoices under these contracts are generally thirty (30) days.

**Contract Balances**

The timing of revenue recognition, billings and cash collections result in billed accounts receivable, unbilled revenue (contract assets) and deferred revenue, consisting of customer deposits and billings in excess of revenue recognized (contract liabilities) on the condensed consolidated balance sheets.

We did not recognize any revenue during the three months ended March 31, 2025 that was included in unbilled revenue as of March 31, 2025.

Revenue recognized during the three ended months March 31, 2025 that was included in deferred revenue at the beginning of the period was approximately $2,224,011.

**Remaining Performance Obligations**

Remaining performance obligations related to ASC 606 represent the aggregate transaction price allocated to performance obligations with an original contract term of greater than one year, excluding certain maintenance contracts and all energy production contracts where a direct measurement of the value to the customer is used as a method of measuring progress towards completion of our performance obligation. Exclusion of these remaining performance obligations is due in part to the inability to quantify values based on unknown future levels of delivery and in some cases rates used to invoice customers. Remaining performance obligations therefore consist of unsatisfied or partially satisfied performance obligations related to fixed price maintenance contracts and installation contracts.

As of March 31, 2025, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately $6,826,058. We expect to recognize revenue of approximately 85.4% of the remaining performance obligations over the next 24 months, 82.9% recognized in the first 12 months and 2.5% recognized over the subsequent 12 months and the balance thereafter.

**Note 3. Income (Loss) Per Common Share**

Basic and diluted income (loss) per share for the three months ended March 31, 2025 and 2024, respectively, were as follows:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2025 | March 31, 2024 |
| Numerator: | | |
| Net loss available to stockholders | $ (659,922) | $ (1,104,967) |
| Denominator: | | |
| Weighted average shares outstanding - Basic | 24,954,928 | 24,850,261 |
| Effect of dilutive securities: | | |
| Stock options | — | — |
| Weighted average shares outstanding - Diluted | 24,954,928 | 24,850,261 |
| Basic loss per share | $ (0.03) | $ (0.04) |
| Diluted loss per share | $ (0.03) | $ (0.04) |
| Anti-dilutive shares underlying stock options outstanding | 194,966 | 2,081,772 |

**Note 4. Inventories, net**

Inventories at March 31, 2025 and December 31, 2024 consisted of the following:

| | March 31, 2025 | December 31, 2024 |
|---|---|---|
| Raw materials, net | $ 8,826,608 | $ 8,525,879 |
| Work-in-process | 841,761 | 930,769 |
| Finished goods, net | 218,381 | 177,357 |
| Total inventories, net | $ 9,886,750 | $ 9,634,005 |

**Note 5. Property, Plant and Equipment, net**

Property, plant and equipment at March 31, 2025 and December 31, 2024 consisted of the following:

| | Estimated Useful Life (in Years) | March 31, 2025 | December 31, 2024 |
|---|---|---|---|
| Energy systems | 10 - 15 years | $ 2,810,232 | $ 2,810,232 |
| Machinery and equipment | 5 - 7 years | 1,606,447 | 1,598,538 |
| Furniture and fixtures | 5 years | 239,402 | 224,868 |
| Computer software | 3 - 5 years | 192,865 | 192,865 |
| Leasehold improvements | * | 1,016,316 | 906,739 |
| | | 5,865,262 | 5,733,242 |
| Less - accumulated depreciation and amortization | | (4,090,974) | (3,995,206) |
| Property, plant and equipment, net | | $ 1,774,288 | $ 1,738,036 |

* Lesser of estimated useful life of asset or lease term

Depreciation and amortization expense on property and equipment for the three months ended March 31, 2025 and 2024 was $95,768 and $94,838, respectively.

**Note 6. Intangible Assets and Liabilities Other Than Goodwill**

As of March 31, 2025 and December 31, 2024 we had the following amounts related to intangible assets and liabilities other than goodwill:

| | March 31, 2025 | | | December 31, 2024 | | |
|---|---|---|---|---|---|---|
| **Intangible assets** | **Cost** | **Accumulated Amortization** | **Total** | **Cost** | **Accumulated Amortization** | **Total** |
| Product certifications | $ 777,465 | $ (716,366) | $ 61,099 | $ 777,465 | $ (709,855) | $ 67,610 |
| Patents | 888,910 | (608,267) | 280,643 | 888,910 | (584,493) | 304,417 |
| Developed technology | 240,000 | (192,000) | 48,000 | 240,000 | (188,000) | 52,000 |
| Trademarks | 26,896 | — | 26,896 | 26,896 | — | 26,896 |
| In Process R&D | 263,936 | (150,821) | 113,115 | 263,936 | (141,394) | 122,542 |
| Favorable contract asset | 384,465 | (380,764) | 3,701 | 384,465 | (379,839) | 4,626 |
| Customer contracts | 2,225,123 | (337,222) | 1,887,901 | 2,225,123 | (290,025) | 1,935,098 |
| | $ 4,806,795 | $ (2,385,440) | $ 2,421,355 | $ 4,806,795 | $ (2,293,606) | $ 2,513,189 |
| | | | | | | |
| **Intangible liability** | | | | | | |
| Unfavorable contract liability | $ 2,618,168 | $ (2,229,402) | $ 388,766 | $ 2,618,168 | $ (2,195,329) | $ 422,839 |

The aggregate amortization expense related to non-contract related intangible assets was $43,711 and $52,995 for the three months ended March 31, 2025 and 2024, respectively. The net aggregate expense (credit) related to the amortization of the contract related intangible assets and liabilities for the three months years ended March 31, 2025 and 2024 was $14,050 and $(7,698), respectively.

*Contract Related Intangibles*

The favorable contract asset and unfavorable contract liability in the foregoing table represent the fair value of ADGE's customer contracts (both positive for favorable contracts and negative for unfavorable contracts) which were acquired by us on May 18, 2017. The customer contract asset includes the maintenance services contracts acquired by us on April 1, 2023 as part of the Aegis acquisition and pursuant to the February 2024 Amendment and the May 2024 Amendment. (See Note 7. Aegis Contract and Related Asset Acquisitions.)

Amortization of intangibles including contract related amounts is calculated using the straight line method over the remaining useful life or contract term, which range from approximately one year to eleven years, and is charged against either administrative expenses or cost of sales in the accompanying condensed consolidated statement of operations. Aggregate future amortization over the next five years is estimated to be as follows:

| | Non-contract Related Intangibles | Contract Related Intangibles | Total |
|---|---|---|---|
| Year 1 | $ 168,383 | $ 94,421 | $ 262,804 |
| Year 2 | 168,031 | 126,791 | 294,822 |
| Year 3 | 131,636 | 133,764 | 265,400 |
| Year 4 | 18,768 | 137,208 | 155,976 |
| Year 5 | 5,650 | 137,208 | 142,858 |
| Thereafter | 10,389 | 873,444 | 883,833 |
| Total | $ 502,857 | 1,502,836 | $ 2,005,693 |

**Note 7. Aegis Contract and Related Asset Acquisitions**

On March 15, 2023, we entered into an agreement ("Agreement") with Aegis Energy Services, LLC (“Aegis”) pursuant to which Aegis agreed to assign to us and we agreed to assume certain Aegis maintenance agreements, we agreed to purchase certain assets from Aegis, and related matters (“Acquisition”). On April 1, 2023, the Acquisition closed. Under the Agreement, we agreed to acquire from Aegis and assume Aegis’ rights and obligations arising on or after April 1, 2023, under maintenance agreements pursuant to which Aegis provided maintenance services to third parties for approximately 200 cogeneration systems and we agreed to acquire from Aegis certain vehicles and inventory used by Aegis in connection with the performance of its maintenance services. At closing, we acquired eight (8) Aegis vehicles for consideration consisting of $170,000 in cash. Also, we issued credits against outstanding accounts receivable due from Aegis in the amount of $300,000 for the acquisition of inventory that Aegis used to provide maintenance services. At closing, we hired eight (8) Aegis employees who, following the closing, have agreed to continue to provide maintenance services relating to the cogeneration systems covered by the maintenance agreements assumed pursuant to the Agreement. Following the closing and for a period of up to seven (7) years, we agreed to pay Aegis a percentage of the revenue collected for maintenance services provided pursuant to the maintenance agreements acquired from Aegis. Further, prior to December 31, 2023, we had the right to acquire and assume additional Aegis' maintenance agreements for cogeneration systems on substantially similar terms and conditions. The Agreement contained certain indemnification provisions and agreements on the part of Aegis and for each party to cooperate with each other and provide certain transitional assistance. We acquired the Aegis maintenance agreements to expand our Service portfolio and to benefit from the long-term contract revenue stream generated by these agreements.

On February 1, 2024, Tecogen and Aegis amended the Agreement to add eighteen (18) additional maintenance contracts assumed by us (the "February 2024 Amendment") which includes an undertaking by Aegis to use commercially reasonable efforts to support and assist our execution of maintenance service agreements for an additional thirty-six (36) cogeneration units sold to customers by Aegis.

On May 1, 2024, Tecogen and Aegis amended the Agreement to add thirty-one (31) additional maintenance contracts assumed by us (the "May 2024 Amendment") which includes an undertaking by Aegis to use commercially reasonable efforts to support and assist our execution of maintenance service agreements for an additional forty-eight (48) cogeneration units sold to customers by Aegis.

No additional maintenance service agreements contemplated in the February 2024 Amendment or the May 2024 Amendment have been acquired as of March 31, 2025.

We have determined that the assignment and assumption of the Aegis maintenance agreements, in combination with the related asset acquisition and the retention of the former Aegis employees, constitutes a business and should be accounted for as a business combination under the acquisition method. As of the acquisition date, we recognized, separately from goodwill, the identifiable assets acquired and the liabilities assumed, at fair value. We have applied an interpretation of the guidance in ASC 805, Business Combinations, that allows an entity to combine multiple acquisitions as one single transaction due to the April 1, 2023, February 1, 2024 and May 1, 2024 acquisitions being executed in contemplation of one another to achieve the same commercial objective for the Company. As a result, we have adjusted the initial accounting for the April 1, 2023 acquisition for the value of net assets acquired from the February 1, 2024 and May 1, 2024 acquisitions.

We have included the financial results of the Aegis maintenance agreements in our condensed consolidated financial statements from April 1, 2023, from February 1, 2024 and from May 1, 2024, the closing or acquisition dates for the acquisitions.

The following table summarizes the consideration paid for the Aegis acquisition and the fair value of assets acquired and contract-related liabilities assumed as of the acquisition date:

| | Acquisitions | | | |
|---|---|---|---|---|
| | **April 1, 2023** | **February 1, 2024** | **May 1, 2024** | **Total** |
| Consideration Paid: | | | | |
| Cash | $ 170,000 | $ — | $ — | $ 170,000 |
| Accounts receivable credit issued | 300,000 | — | — | 300,000 |
| Account payable due to Aegis | 91,048 | — | — | 91,048 |
| Contingent consideration | 1,256,656 | 101,641 | 171,260 | 1,529,557 |
| Total fair value of consideration transferred | 1,817,704 | 101,641 | 171,260 | 2,090,605 |
| | | | | |
| Identifiable assets acquired and liabilities assumed: | | | | |
| Assets acquired | | | | |
| Property, plant and equipment | 170,000 | — | — | 170,000 |
| Inventory | 391,048 | — | — | 391,048 |
| Identifiable intangible asset - customer contracts | 1,772,659 | 184,587 | 267,877 | 2,225,123 |
| | 2,333,707 | 184,587 | 267,877 | 2,786,171 |
| Acquired contract-related liabilities assumed | | | | |
| Deferred maintenance reserve | (853,271) | — | — | (853,271) |
| Net identifiable assets acquired | 1,480,436 | 184,587 | 267,877 | 1,932,900 |
| Excess of cost over fair value of net assets acquired (Goodwill) | **$ 337,268** | $ (82,946) | $ (96,617) | $ 157,705 |

*Initial Acquisition - April 1, 2023*

The amounts initially recognized for inventory, identifiable intangible assets, contingent consideration and deferred maintenance reserves were provisional pending completion of the necessary valuations and analysis. ASC 805 establishes a measurement period to provide companies with a reasonable amount of time to obtain the information necessary to identify and measure various items in a business combination and cannot extend beyond one year from the acquisition date. As of December 31, 2023, we completed our analysis and valuation.

As of December 31, 2024, we recorded no remeasurement adjustments to the fair value of the contingent consideration and deferred maintenance reserves given the probability of achieving the revenue estimates and the actual and expected maintenance costs were consistent with our initial valuation.

*February 2024 Amendment*

The amounts initially recognized for identifiable intangible assets and contingent consideration were provisional, pending completion of the necessary valuations and analysis. ASC 805 establishes a measurement period to provide companies with a reasonable amount of time to obtain the information necessary to identify and measure various items in a business combination and cannot extend beyond one year from the acquisition date. As of December 31, 2024, we completed our analysis and valuation for the February 2024 amendment.

*May 2024 Amendment*

The amounts initially recognized for identifiable intangible assets and contingent consideration were provisional pending completion of the necessary valuations and analysis. ASC 805 establishes a measurement period to provide companies with a reasonable amount of time to obtain the information necessary to identify and measure various items in a business combination and cannot extend beyond one year from the acquisition date. As of December 31, 2024, we completed our analysis and valuation for the May 2024 amendment.

*Acquisition Valuation*

The fair value of the identifiable intangible asset was estimated using the income approach. The excess cash flow was discounted to present value using an appropriate rate of return to estimate the market value of the customer identifiable intangible asset and the risks associated with the future revenue forecasts due to potential changes in customer energy requirements or changes in the economic viability of these CHP sites which depend on the spread between natural gas fuel and electricity prices, all of which are not within our control. Key assumptions to value the customer identifiable intangible asset included the discount rate of 15%, profitability assumptions, revenue assumptions, and anticipated existing contract run out were the material assumptions utilized in the discounted cash flow model used to estimate fair value. The discount rate reflects an estimate of our weighted-average cost of capital.

Following the closing and for a period of up to seven (7) years, we agreed to pay Aegis contingent consideration equal to a percentage of the revenue collected for maintenance services provided pursuant to the maintenance agreements acquired from Aegis. On the date of acquisition, the fair value of the contingent consideration and the deferred maintenance reserve were calculated under the income approach using a weighted average cost of capital of 15%, discounting the future cash flows to present value, and are subsequently remeasured to fair value at each reporting date until the fair value contingencies are resolved. Fair value adjustments which may be determined at subsequent reporting dates will be recorded in our condensed consolidated statements of operations and will not impact the goodwill balance after the measurement period.

The contingent consideration is payable within forty-five (45) days following the end of each calendar quarter through the earlier of the expiration or termination of the relevant maintenance agreements, or the seventh (7th) anniversary of the acquisition date. The consideration is equal to the product of the revenues collected in a calendar quarter multiplied by an applicable percentage. The agreement stipulates quarterly aggregate revenue targets and an applicable percentage, and provides for a higher applicable percentage if revenues exceed the target revenues. The applicable percentage ranges from 5% to 10% over the agreement term. The deferred maintenance reserve represents costs, which are expected to be incurred over a three-year period from the date of acquisition to repair customer equipment which had not been sufficiently maintained prior to our acquisition of the maintenance service agreements.

The purchase price of the acquisition was allocated to the tangible and intangible assets acquired and liabilities assumed and recognized at their fair value based on widely accepted valuation techniques in accordance with ASC 820, "Fair Value Measurement," as of the acquisition date. The process for estimating fair value requires the use of significant assumptions and estimates of future cash flows and developing appropriate discount rates. The excess of the purchase price over fair value of the net identified assets acquired and liabilities assumed was recorded as goodwill. Goodwill is primarily attributable to the going concern element of the Aegis business, including its assembled workforce and the long-term nature of the customer maintenance agreements, as well as anticipated cost synergies due primarily to the elimination of administrative overhead. Goodwill resulting from the Aegis acquisition is not expected to be deductible for income tax purposes.

Acquisition-related costs which consisted on recurring internal resources were de minimus and such costs were expensed as incurred (ASC 805-50-30-1).

The following table summarizes the contract-related liabilities assumed as of March 31, 2025 and December 31, 2024:

| | March 31, 2025 | December 31, 2024 |
|---|---|---|
| Acquisition liabilities, current portion | | |
| Contingent consideration | $ 362,362 | $ 328,350 |
| Deferred maintenance reserve | 574,202 | 574,202 |
| | 936,564 | 902,552 |
| Acquisition liabilities, net of current portion | | |
| Contingent consideration | 938,407 | 1,008,760 |
| Deferred maintenance reserve | — | — |
| | $ 938,407 | $ 1,008,760 |

Revenues and gross profit from the Aegis maintenance contracts were $692,292 and $462,282 and $758,762 and $485,044, respectively, for the three months ended March 31, 2025 and 2024. The revenue and gross profit are and have been included in our Services segment since the respective contract acquisitions.

*Periodic Remeasurement of Contingent Liabilities*

The fair value of the contingent consideration and pre-acquisition deferred maintenance liabilities are remeasured each reporting period after the acquisition date and any changes in the estimated fair value are reflected as gains or losses in cost of goods sold or general and administrative expense in the condensed consolidated statement of operations.

We performed a remeasurement analysis of the contingent consideration and pre-acquisition deferred maintenance liabilities at December 31, 2024 and determined that the carrying value of the liabilities approximated the estimated fair value of the of the liabilities, based on a discounted cash flow analysis, and did not record a remeasurement adjustment for the year ended December 31, 2024.

We are unable to provide the pro forma information required under ASC 805-10-50-2(h) as the disclosure is impracticable since the required pre-acquisition historical information could not be obtained from Aegis.

**Note 8. Sale of Energy Producing Assets**

During the first quarter of 2019 we recognized two individual sales of energy producing assets for a total of eight power purchase agreements, including the associated energy production contracts, for total consideration of $7 million.

In connection with these assets sales, we entered into agreements with the purchaser to maintain and operate the assets over the remaining periods of the associated energy production contracts (through August 2033 and January 2034, respectively) in exchange for monthly maintenance and operating fees. These agreements contain provisions whereby we have guaranteed to the purchaser a minimum level or threshold of cash flows from the associated energy production contracts. Actual results are compared to the minimum threshold bi-annually and we are contractually obligated to reimburse any shortfall to the purchaser. To the extent actual cash flow results exceed the minimum threshold, we are entitled to fifty percent of such excess under the agreements. Based upon an analysis of these energy producing assets' expected future performance, as of March 31, 2025, we do not expect to make any material payments under the guarantee.

At March 31, 2025, we were due $98,266 under the energy production contracts, representing 50% of the excess cash flows above the minimum threshold for the bi-annual period ended December 31, 2024. We expect to receive these funds in the second quarter of 2025.

The foregoing agreements also contain provisions whereby we have agreed to make whole the purchaser in the event the counterparty to the energy production contract(s) defaults on or otherwise terminates before the stated expiration of the energy production contract. Should we be required to make whole the purchaser under such provisions, we would be entitled to seek recovery from the counterparty to the energy production contract(s) under a similar provision contained in those contracts in respect of early termination.

We are also responsible under the agreements for site decommissioning costs, if any, in excess of certain threshold amounts by site. Decommissioning of site assets is performed when, if and as requested by the counterparty to the energy production contract upon termination of the energy production contract.

**Note 9. Leases**

Our leases principally consist of operating leases related to our corporate office, field offices, and our research, manufacturing, and storage facilities. Effective December 19, 2023, we entered into a master finance lease agreement for motor vehicles.

At inception, we determine if an arrangement constitutes a lease and whether that lease meets the classification criteria of a finance or operating lease. Some of our lease agreements contain lease components (e.g. minimum rent payments) and non-lease components (e.g. maintenance, labor charges, etc.). We account for each component separately based on the estimated standalone price of each component.

*Operating Leases*

Operating leases are included in Right-of-use assets - operating leases, Operating lease obligations, current portion and Operating lease obligations, net of current portion, on the consolidated balance sheets. These assets and liabilities are recognized at the commencement date based on the present value of remaining lease payments over the lease term and using an incremental borrowing rate consistent with the lease terms or implicit rates, when readily determinable. For those leases where it is reasonably certain at the commencement date that we will exercise the option to extend the lease, then the lease term will include the lease extension term. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the balance sheet.

On March 31, 2023, we entered into two lease agreements for two adjacent buildings, located in North Billerica, Massachusetts, containing approximately 26,412 square feet of manufacturing, storage and office space to serve as our headquarters and manufacturing facilities. The lease agreements provide for initial lease terms of five (5) years with two successive options to renew for additional terms of five (5) years. Both leases commenced on January 1, 2024 and require payment of the base rent, real estate taxes, common maintenance expenses and aggregate deposits of $38,200. Our costs for initial improvements required to the leased premises is estimated to range between $1,125,000 and $1,175,000. As of March 31, 2025 we have expended $1,117,116 on the required improvements at our North Billerica facility.The estimated straight-line monthly rent expense for the initial term of the lease is approximately $26,962 per month. In accordance with ASC 842-20-30-1, we recorded the lease liability and right-of-use asset using the discount rate for the lease upon the lease commencement date, January 1, 2024.

On January 1, 2024 we extended the lease for our 2,800 square foot Valley Stream, NY service center for an additional three (3) years through December 31, 2026, with an option to renew for an additional term of three (3) years. The straight-line base monthly rent for the extension is $4,560 per month. On February 1, 2024 we entered into a lease agreement for 2,063 square feet of office and storage space in East Syracuse, New York for an initial lease term of three (3) years, expiring on January 31, 2027, with an option for an additional lease term of two (2) years. The straight-line base monthly rent for the initial lease term is $1,891 per month. On June 17, 2024, we extended our lease for our 1,751 square foot Hayward, CA service center for an additional three (3) years through July 31, 2027. The straight-line monthly rent for the extension is $3,662 per month. On January 15, 2025 we entered into a lease agreement for 2,969 square feet of office and storage space in Easton, MA for an initial term of five (5) years, expiring on January 31, 2030, with an option for an additional lease term of five (5) years. The straight-line base monthly rent for the initial lease term is $2,324 per month. On April 30, 2025 we extended the term of our Windsor, CT service facility for an additional two (2) years through March 31, 2027, effective April 1, 2025, for 2,000 square feet of office and storage space, with an option for an additional lease term of two (2) years. The straight-line base monthly rent for the initial lease term is $1,850 per month.

The lease on our former headquarters located in Waltham, Massachusetts which consisted of approximately 43,000 square feet of manufacturing, storage and office space, expired on April 30, 2024. The base monthly rent in 2024 was $44,254.

Lease expense for operating leases, which principally consists of fixed payments for base rent, is recognized on a straight-line basis over the lease term. Operating lease expense for the three months ended March 31, 2025 and 2024 was $148,291 and $271,562, respectively.

Supplemental information related to operating leases for the three months ended March 31, 2025 and 2024 was as follows:

| | March 31, 2025 | March 31, 2024 |
|---|---|---|
| Cash paid for amounts included in the measurement of operating lease liabilities | $ 143,961 | $ 269,836 |
| Right-of-use assets obtained in exchange for operating lease liabilities | $ 115,857 | $ 1,429,977 |
| Weighted-average remaining lease term - operating leases | 3.9 Years | 4.7 Years |
| Weighted-average discount rate - operating leases | 7.6 % | 7.5 % |

Supplemental balance sheet information related to operating leases as of March 31, 2025 and December 31, 2024 was as follows:

| | March 31, 2025 | December 31, 2024 |
|---|---|---|
| Operating leases | | |
| Right-of-use assets | $ 1,768,309 | $ 1,730,358 |
| | | |
| Operating lease liability, current portion | $ 456,370 | $ 430,382 |
| Operating lease liability, net of current portion | 1,355,685 | 1,341,789 |
| Total operating lease liability | $ 1,812,055 | $ 1,772,171 |

*Finance Leases*

Finance leases are included in Right-of-use assets - finance leases, Finance lease obligations, current portion and Finance lease obligations, net of current portion, on the condensed consolidated balance sheets. These assets and liabilities are recognized at the commencement date based on the present value of remaining lease payments over the lease term and using an incremental borrowing rate consistent with the lease terms or implicit rates, when readily determinable. For those leases where it is reasonably certain at the commencement date that we will exercise the option to extend the lease, then the lease term will include the lease extension term. Effective December 19, 2023, we entered into a master finance lease agreement for motor vehicles.

Lease expense for finance leases for the three months ended March 31, 2025 and 2024 was as follows:

| | March 31, 2025 | March 31, 2024 |
|---|---|---|
| Finance lease cost: | | |
| Depreciation of right-of-use assets | $ 32,167 | $ 10,009 |
| Interest on lease liabilities | 12,888 | 4,940 |
| Total finance lease cost | $ 45,055 | $ 14,949 |

Supplemental information related to finance leases for the three months ended March 31, 2025 and 2024 was as follows:

| | March 31, 2025 | March 31, 2024 |
|---|---|---|
| Cash paid for amounts included in the measurement of finance lease liabilities | $ 42,217 | $ 12,233 |
| Right-of-use assets obtained in exchange for finance lease liabilities | 226,794 | 200,187 |
| Weighted-average remaining lease term - finance leases | 4.4 Years | 5.0 years |
| Weighted-average discount rate - finance leases | 10.3 % | 10.4 % |

Supplemental balance sheet information related to finance leases as of March 31, 2025 and December 31, 2024 is as follows:

| | March 31, 2025 | December 31, 2024 |
|---|---|---|
| Finance leases | | |
| Right-of-use assets - motor vehicles | $ 621,411 | $ 425,563 |
| Right-of-use assets - boiler | 25,463 | 26,827 |
| | $ 646,874 | $ 452,390 |
| | | |
| Finance lease liability, current portion | $ 113,249 | $ 85,646 |
| Finance lease liability, net of current portion | 457,865 | 325,235 |
| Total finance lease liability | $ 571,114 | $ 410,881 |

Future minimum lease commitments under non-cancellable operating and finance leases as of March 31, 2025 were as follows:

| | Operating Leases | Finance Leases | Total |
|---|---|---|---|
| Year 1 | $ 567,288 | $ 166,222 | $ 733,510 |
| Year 2 | 551,915 | 164,068 | 715,983 |
| Year 3 | 464,209 | 164,068 | 628,277 |
| Year 4 | 362,144 | 151,836 | 513,980 |
| Year 5 | 79,857 | 65,648 | 145,505 |
| Thereafter | 52,195 | — | 52,195 |
| Total lease payments | 2,077,608 | 711,842 | 2,789,450 |
| Less: imputed interest | 265,553 | 140,728 | 406,281 |
| Total | $ 1,812,055 | $ 571,114 | $ 2,383,169 |

## Note 10. Stock-Based Compensation

*Stock-Based Compensation*

On December 22, 2005, our Board of Directors adopted Tecogen's 2006 Stock Option and Incentive Plan ("2006 Plan") under which the Board of Directors or a committee appointed by the Board of Directors may grant incentive stock options to officers and employees and may grant non-qualified stock options, restricted stock and stock to officers, employees, directors, advisors and consultants. The 2006 Plan was amended at various dates by the Board of Directors to increase the number of shares of common stock reserved for issuance under the Plan to 3,838,750, and, in June 2017, stockholders approved an amendment to extend the termination date of the Plan to January 1, 2026 (2006 Plan as amended, "Amended Plan").

Stock options vest based upon the terms of each individual option grant with an acceleration of the unvested portion of such options upon a change of control event, as defined in the Amended Plan. The options are not transferable except by will or domestic relations order. Under the Internal Revenue Code, the option exercise price per share under the Amended Plan cannot be less than the fair market value of the underlying shares on the date of the grant. Incentive stock options granted to an officer or employee owning more than 10% of the combined voting power of the Company, are required to be exercisable at a price per share equal to 110% of the fair market value of a share on the date of grant. The number of shares remaining available for future issuance under the Amended Plan as of March 31, 2025 was 1,078,168.

During the three months ended March 31, 2025, we granted non-qualified options to purchase an aggregate of 30,000 shares of common stock to certain employees at prices between $2.14 per share and $2.88 per share to purchase shares of common stock under the Amended Plan. The fair value of the option issued in 2025 were $33,470. The weighted-average grant date fair-value of stock options granted in 2025 was $1.12 per share.

On March 8, 2022, our Board of Directors adopted Tecogen's 2022 Stock Incentive Plan ("2022 Plan"), under which the Board of Directors or a committee appointed by the Board of Directors may grant incentive stock options to officers and employees and grant non-qualified stock options, restricted stock, and stock grants to officers, employees, directors, advisors and consultants. We have reserved 3,800,000 shares of our common stock for issuance pursuant to awards under the 2022 Plan. The adoption of the 2022 Plan was approved by our shareholders on June 9, 2022. The 2022 Plan expires ten years from its effective date or March 1, 2032.

Under the 2022 Plan, stock options vest based upon the terms of each individual option grant with an acceleration of the unvested portion of such options upon a change of control event, as defined in the 2022 Plan. The options are not transferable except by will or domestic relations order. Under the Internal Revenue Code, the option exercise price per share under the Amended Plan cannot be less than the fair market value of the underlying shares on the date of the grant. Incentive stock options granted to an officer or employee owning more than 10% of the combined voting power of the Company are required to be exercisable at a price per share equal to 110% of the fair market value of a share on the date of grant. The number of shares remaining available for future issuance under the Plan as of March 31, 2025 was 2,950,000.

During the three months ended March 31, 2025, we did not grant any options to purchase shares of common stock under the 2022 Plan.

Stock option activity for the three months ended March 31, 2025 was as follows:

| **Common Stock Options** | **Number of Options** | | **Exercise Price Per Share** | | **Weighted Average Exercise Price** | **Weighted Average Remaining Life** | **Aggregate Intrinsic Value** |
|---|---|---|---|---|---|---|---|
| Outstanding, December 31, 2024 | 2,752,962 | $0.71 | — | $3.93 | $ 1.14 | 6.70 years | $ 1,348,684 |
| Granted | 30,000 | $2.14 | — | $2.88 | $ 2.32 | | |
| Exercised | (35,000) | | $1.10 | | $ 1.10 | | $ 49,175 |
| Outstanding, March 31 2025 | 2,747,962 | $0.71 | — | $3.93 | $ 1.16 | 6.48 years | $ 3,234,426 |
| Exercisable, March 31, 2025 | 1,805,462 | | | | $ 1.26 | | $ 2,036,326 |
| Vested and expected to vest, March 31, 2025 | 2,606,587 | | | | $ 1.17 | | $ 3,054,711 |

We used a forfeiture rate of 15% to calculate the expected to vest shares in the table above. We use the Black-Scholes option pricing model to determine the fair value of stock options granted. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on the average volatility of four comparable publicly traded companies. The average expected life was estimated using the simplified method to determine the expected life based on the vesting period and contractual terms, since we do not have the necessary historical exercise data to determine an expected life for stock options. We use a single weighted-average expected life to value option awards and recognize compensation on a straight-line basis over the requisite service period for each separately vesting portion of the awards. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term which approximates the expected life assumed at the date of grant.

The weighted average assumptions used in the Black-Scholes option pricing model for options granted in three months ended March 31, 2025 and 2024 are as follows:

| Stock Option Award Assumptions | March 31, 2025 | March 31, 2024 |
|---|---|---|
| Expected dividend yield | —% | —% |
| Expected life | 6.25 years | 6.25 years |
| Risk-free interest rate | 4.22% | 4.28% |
| Expected volatility | 42.33% | 40.17% |

Consolidated stock-based compensation expense for the three months ended March 31, 2025 and 2024 was $40,833 and $44,535, respectively. No tax benefit was recognized related to the stock-based compensation recorded during the period.

At March 31, 2025, the total compensation cost related to unvested stock option awards not yet recognized is $271,088 and this amount will be recognized over a weighted average period of 2.30 years.

## Note 11. Related Party Notes

On October 9, 2023, we entered into note subscription agreements with each of John N. Hatsopoulos and Earl R. Lewis, III, each a director and shareholder of the Company, pursuant to which Mr. Hatsopoulos agreed to provide financing to us of up to $1,000,000, and Mr. Lewis agreed to provide financing to us of $500,000, and potentially, an additional $500,000 at his discretion. On October 10, 2023, we borrowed $500,000 from Mr. Hatsopoulos and issued him a one-year promissory note with interest accruing at 5.12% per annum. On July 23, 2024, we borrowed an additional $500,000 from Mr. Hatsopoulos, and issued a one-year promissory note with interest accruing at 5.06% per annum. On March 21, 2024, Mr. Hatsopoulos amended the terms of the promissory note, dated October 10, 2023, extending the maturity date by one-year, making the maturity date October 10, 2025. On September 18, 2024, we borrowed $500,000 from Mr. Lewis and issued him a one-year promissory note with interest accruing at 4.57% per annum.

On January 14, 2025 we agreed to permit Mr. Lewis to either receive repayment of his note in cash or, at his discretion, convert the balance of the promissory note into shares of our common stock. In the event of such a conversion, the number of shares of we will be required to issue will be determined by dividing the balance due under the promissory note by the average closing price per share of our shares during the thirty-day period prior to the date of conversion.

On February 18, 2025 we amended the promissory notes with Mr. Hatsopoulos to extend the maturity dates for both promissory notes to July 31, 2026. We also agreed to permit Mr. Hatsopoulos to either receive repayment of his notes in cash, or at his discretion, convert the balance(s) due of one or both of the promissory notes into shares of our common stock. In the event of such a conversion, the number of shares we will be required to issue will be determined by dividing the balance(s) due under the promissory note(s) by the average closing price per share of our shares during the thirty-day period prior to the date of conversion.

The loans are required to be repaid in the event of a change of control of the company and upon the occurrence of an event of default under the note, including upon a failure to pay when due the principal and interest when due, or the commencement of voluntary or involuntary bankruptcy or insolvency proceeding.

The loans and terms of the loan agreements were unanimously approved by our Board of Directors.

The loans bear interest on the outstanding principal at the Internal Revenue Service's Applicable Federal Rate to be determined at the time we issue a promissory note in connection with a loan drawdown. The notes may be prepaid by us at any time. The principal amount of each loan and accrued interest is subject to mandatory prepayment in the event of a change of control of the registrant. The promissory notes are subject to customary events of default and are transferable provided the conditions to transfer set forth in the promissory notes are satisfied by the noteholder. The proceeds of the loans have been used for general working capital purposes and to fund the initial improvements required at our North Billerica facility.

At March 31, 2025 our obligation to Mr. Hatsopoulos under the promissory notes, inclusive of $55,122 of accrued and unpaid interest, was $1,055,122, and was reclassed to long-term liabilities due to the February 18, 2025 amendment. At March 31, 2025 our obligation to Mr. Lewis under the promissory note, inclusive of $12,187 of accrued and unpaid interest, was $512,187.

On May 1, 2025, Mr. Lewis elected to convert promissory note we had issued to him in connection with his loan to us in the principal amount of $500,000 together with $14,148 of accrued and unpaid interest into 240,256 shares of our common stock at a per share price of $2.14. The number of shares was determined by dividing the balance due under the promissory note by the average closing price per share of our shares during the thirty-day period prior to the date of conversion.

**Note 12. Fair Value Measurements**

The fair value topic of the FASB Accounting Standards Codification defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The accounting guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

*Level 1* - Unadjusted quoted prices in active markets for identical assets or liabilities. We currently do not have any Level 1 financial assets or liabilities.

*Level 2* - Observable inputs other than quoted prices included in Level 1. Level 2 inputs include quoted prices for identical assets or liabilities in non-active markets, quoted prices for similar assets or liabilities in active markets and inputs other than quoted prices that are observable for substantially the full term of the asset or liability. We have Level 2 financial assets as provided below.

*Level 3* - Unobservable inputs reflecting management’s own assumptions about the input used in pricing the asset or liability. We have Level 3 liabilities as provided below.

*Marketable equity securities*

The following tables present the asset reported in "other assets" in the condensed consolidated balance sheet measured at its fair value on a recurring basis as of March 31, 2025 and 2024 by level within the fair value hierarchy.

| | Total | Quoted prices in active markets for identical assets Level 1 | Significant other observable inputs Level 2 | Significant unobservable inputs Level 3 | Gains (losses) |
|---|---|---|---|---|---|
| **March 31, 2025** | | | | | |
| Recurring fair value measurements | | | | | |
| Marketable equity securities | | | | | |
| EuroSite Power Inc. | $ 74,995 | $ — | $ 74,995 | $ — | $ (18,749) |
| Total recurring fair value measurements | $ 74,995 | $ — | $ 74,995 | $ — | $ (18,749) |
| **March 31, 2024** | | | | | |
| Recurring fair value measurements | | | | | |
| Marketable equity securities | | | | | |
| EuroSite Power Inc. | $ 112,493 | $ — | $ 112,493 | $ — | $ 18,749 |
| Total recurring fair value measurements | $ 112,493 | $ — | $ 112,493 | $ — | $ 18,749 |

We utilize a Level 2 category fair value measurement to value our investment in EuroSite Power, Inc. as a marketable equity security at period end. That measurement is equal to the quoted market closing price at period end. Since this security is not actively traded we classify it as Level 2.

The following table summarizes changes in Level 2 assets which are comprised of marketable equity securities for the three months ended March 31, 2025 and 2024:

| | |
|---|---|
| Fair value at December 31, 2024 | $ 93,744 |
| Unrealized loss | (18,749) |
| Fair value at March 31, 2025 | $ 74,995 |
| | |
| Fair value at December 31, 2023 | $ 93,744 |
| Unrealized gain | 18,749 |
| Fair value at March 31, 2024 | $ 112,493 |

*Contingent Contract Consideration*

We utilize a Level 3 category fair value measurement to value the agreed upon Aegis contingent contract consideration liability at period end since there are no quoted prices for this liability in non-active markets, there are no quoted prices for similar liabilities in active markets and there are no inputs that are observable for substantially the full term of the the liability. The contingent contract consideration calculation requires management to make estimates and assumptions that affect the reported amount of the liability. The contingent contract consideration is payable each calendar quarter through the earlier of the expiration or termination of the relevant maintenance agreements, or the seventh (7th) anniversary of the acquisition date. The consideration is equal to the product of the revenues collected in a calendar quarter multiplied by an applicable percentage. The agreement stipulates quarterly aggregate revenue targets and an applicable percentage, and provides for a higher applicable percentage if revenues exceed the target revenues. The applicable percentage ranges from 5% to 10% over the agreement term. On the date of acquisition, the fair value of the contingent consideration was calculated using a weighted average cost of capital of 15%, discounting the future cash flows to present value.

| | Total | Quoted prices in active markets for identical assets Level 1 | Significant other observable inputs Level 2 | Significant unobservable inputs Level 3 | Total g (loss |
|---|---|---|---|---|---|
| **March 31, 2025** | | | | | |
| Recurring fair value measurements | | | | | |
| Contingent contract consideration | | | | | |
| Acquisition liabilities, current portion | $ 362,362 | $ — | $ — | $ 362,362 | $ |
| Acquisition liabilities, net of current portion | 938,407 | — | — | 938,407 | |
| Total recurring fair value measurements | $ 1,300,769 | $ — | $ — | $ 1,300,769 | $ |
| | | | | | |
| **March 31, 2024** | | | | | |
| Recurring fair value measurements | | | | | |
| Contingent contract consideration | | | | | |
| Acquisition liabilities, current portion | $ 237,928 | $ — | $ — | $ 237,928 | $ |
| Acquisition liabilities, net of current portion | 1,016,558 | — | — | 1,016,558 | |
| Total recurring fair value measurements | $ 1,254,486 | $ — | $ — | $ 1,254,486 | $ |

## Note 13. Segments

Our Chief Executive Officer, who is our Chief Operating Decision Maker ("CODM") manages our business through three operating segments, wherein our CODM manages our businesses by: (i) assessing operating performance on a periodic basis, (ii) making resource allocation decisions and (iii) designating responsibilities for his direct reports. As of March 31, 2025, we were organized into three operating segments through which senior management evaluates our business. These segments, as described in more detail in Note 1. Description of Business and Basis of Presentation, are organized around the products, services and energy production provided to customers and represent our reportable segments.

Our CODM uses segment profit, based on operating income after the elimination of intercompany transactions and segment identifiable assets to assess segment operating performance and to make resource allocation decisions. Certain costs such as other income (expense) are not included in the measure of segment profit and are excluded from management's assessment of segment financial performance.

Corporate includes finance, treasury, certain research and development costs, tax and legal costs and certain other costs which are not allocated to the reportable segments.

The following table presents information by reportable segment for the three months ended March 31, 2025 and 2024:

| | Products | Services | Energy Production | Corporate | Total |
|---|---|---|---|---|---|
| **Three Months Ended March 31, 2025** | | | | | |
| Revenues | $ 2,533,809 | $ 4,245,022 | $ 498,939 | $ — | $ 7,277,770 |
| Cost of sales | 1,487,750 | 2,258,898 | 310,082 | | 4,056,730 |
| Gross profit | 1,046,059 | 1,986,124 | 188,857 | — | 3,221,040 |
| Operating expenses | 569,829 | 1,760,446 | 16,469 | 1,468,540 | 3,815,284 |
| Profit (loss) from operations | $ 476,230 | $ 225,678 | $ 172,388 | $ (1,468,540) | $ (594,244) |
| | | | | | |
| Identifiable assets | $ 10,255,443 | $ 11,475,395 | $ 2,703,490 | $ 5,291,500 | $ 29,725,828 |
| | | | | | |
| **Three Months Ended March 31, 2024** | | | | | |
| Revenues | $ 1,491,398 | $ 4,014,310 | $ 680,389 | $ — | $ 6,186,097 |
| Cost of sales | 1,049,543 | 2,092,257 | 468,640 | — | 3,610,440 |
| Gross profit | 441,855 | 1,922,053 | 211,749 | — | 2,575,657 |
| Operating expenses | 629,249 | 1,487,340 | 19,102 | 1,489,851 | 3,625,542 |
| Profit (loss) from operations | $ (187,394) | $ 434,713 | $ 192,647 | $ (1,489,851) | $ (1,049,885) |
| | | | | | |
| Identifiable assets | $ 9,793,634 | $ 12,207,675 | $ 3,295,316 | $ 3,161,918 | $ 28,458,543 |

**Note 14. Subsequent Events**

We have evaluated events through the date of this filing, and, except as described below, have determined that no material subsequent events occurred that would require recognition in the consolidated financial statements or disclosure in the notes thereto.

On April 30, 2025, we announced that shares of our common stock were approved for listing on the NYSE American LLC ("NYSE American") stock exchange. Our common stock began trading on the NYSE American under our current symbol "TGEN" on May 6, 2025.

On May 1, 2025, Mr. Lewis elected to convert promissory note we had issued to him in connection with his loan to us in the principal amount of $500,000 together with $14,148 of accrued and unpaid interest into 240,256 shares of our common stock at a per share price of $2.14. The number of shares was determined by dividing the balance due under the promissory note by the average closing price per share of our shares during the thirty-day period prior to the date of conversion.

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

*This Management's Discussion and Analysis of Financial Condition and Results of Operations and other parts of this Quarterly Report on Form 10-Q ("Form 10-Q") contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," and similar terms. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Such forward-looking statements include, among other things, demand for our products and services, the availability of incentives, rebates, and tax benefits relating to our products, changes in the regulatory environment relating to our products, competing technological developments, and the availability of financing to fund our operations and growth. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2024 ("2024 Form 10-K"), as supplemented, and Part II, Item 1A of this Form 10-Q, in each case under the heading "Risk Factors." The following discussion should be read in conjunction with the 2024 Form 10-K filed with the Securities and Exchange Commission ("SEC") and the condensed consolidated financial statements and accompanying notes included in Part I, Item 1 of this Form 10-Q. Each of the terms "we," "our," "us," "Tecogen," or "Company" as used herein refer collectively to Tecogen Inc. and our wholly owned subsidiaries, unless otherwise stated. While we may elect to update forward-looking statements in the future, we specifically disclaim any obligation to do so, even if our estimates change, and you should not rely on those forward-looking statements as representing ours views as of any date subsequent to the date of the filing of this Form 10-Q.*

## Recent Developments

*Uplist to NYSE American Stock Exchange*

On April 30, 2025, we announced that shares of our common stock were approved for listing on the NYSE American LLC ("NYSE American") stock exchange. On May 6, 2025, our common stock began trading on the NYSE American under our current symbol "TGEN."

*Vertiv Sales and Marketing Agreement - Data Center Cooling Market*

On February 28, 2025, we entered into a Sales and Marketing Agreement with Vertiv Corporation ("Vertiv") relating to sales of Tecogen DTx chillers for data center cooling applications (the "Vertiv Agreement"). The Vertiv Agreement has a term of two years and provides that Vertiv will establish a budget for marketing activities and use commercially reasonable efforts to sell our DTx chillers for cooling applications in data centers. The Vertiv Agreement also provides the basis for the negotiation of a definitive supply agreement between us and Vertiv. We have agreed to provide Vertiv with reasonable discounts for purchases of significant volumes of our chillers, and Vertiv has agreed to use commercially reasonable efforts to assist us in securing favorable terms for engineering components and supplies for manufacturing our chillers. Pursuant to the Vertiv Agreement we have granted Vertiv the exclusive right to market and sell our DTx chillers for data center cooling applications outside the United States, and the non-exclusive right to market and sell our DTx chillers within the United States. We have also agreed to grant Vertiv the exclusive right to market and sell our DTx chillers for data center cooling applications in the United States if Vertiv achieves and maintains agreed sales levels of DTx chillers. The foregoing description of the Vertiv Agreement is not complete and is qualified in its entirety by reference to the full text thereof, a copy of which was filed as Exhibit 99.01 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2025.

*Assumption of Aegis Energy Services Maintenance Agreements*

On March 15, 2023, we entered into an agreement ("Agreement") with Aegis Energy Services, LLC ("Aegis") pursuant to which Aegis agreed to assign to us and we agreed to assume certain *Aegis* maintenance agreements, we agreed to purchase certain assets, and related matters ("Acquisition"). On April 1, 2023, the Acquisition closed. Under the Agreement, we agreed to acquire from Aegis and assume Aegis' rights and obligations arising on or after April 1, 2023 under maintenance agreements pursuant to which Aegis provided maintenance services for approximately 200 cogeneration systems, and acquired certain vehicles and inventory used by Aegis in connection with the performance of such maintenance services, and following closing, hired eight (8) Aegis employees to provide services with respect to such maintenance agreements. At closing, we acquired eight (8) Aegis vehicles for consideration consisting of $170,000 in cash. Also, we issued credits against outstanding accounts receivable due from Aegis in the amount of $300,000 for the acquisition of inventory that Aegis used to provide maintenance services.

On February 1, 2024, Tecogen and Aegis amended the Agreement to add eighteen (18) additional maintenance service agreements (the "Amendment"). The Amendment includes an undertaking by Aegis to use commercially reasonable efforts to support and assist our execution of maintenance service agreements for an additional thirty-six (36) cogeneration units sold to customers by Aegis.

On May 1, 2024, Tecogen and Aegis amended the Agreement to add thirty-one (31) additional maintenance contracts (the "Second Amendment"). The Second Amendment includes an undertaking by Aegis to use commercially reasonable efforts to support and assist our execution of maintenance service agreements for an additional forty-eight (48) cogeneration units sold to customers by Aegis.

See Note 7. Aegis Contract and Related Asset Acquisitions of the Notes to the Condensed Consolidated Financial Statements.

*Facilities Relocation*

In April, 2024, we moved our manufacturing operations and corporate offices from 45 First Avenue, Waltham, Massachusetts to 76 Treble Cove Road, Building 1, North Billerica, Massachusetts. As a result of the relocation, product revenues were negatively impacted during 2024. The factory relocation also necessitated construction activities to install equipment test cells and comply with local regulations. We resumed manufacturing operations during the latter-half of the third quarter of 2024.

*Impact of Anti-fossil Fuel Sentiment*

In some key markets such as New York City, the regulatory push to eliminate fossil fuels from buildings has impacted cogeneration unit sales. We believe that as regulations take into account scope 2 emissions and products like our hybrid chiller that can choose the cleanest fuel source will have a significant advantage in decarbonization efforts. The political environment following the 2024 elections in the United States may have a material impact on anti-fossil fuel sentiment and the regulatory environment that may be favorable to our business. We have also diversified our sales activities to reduce our reliance on markets like New York City.

*Impact of Utility Power Constraints, Data Center Construction*

As more load is added to the utility grid in the form of data centers, EV charging, and other demands for power, customers are facing power constraints. Tecogen believes that these power constrained customers, in particular data centers and industrial facilities, represent a significant opportunity for growth. The customer need is driven by the ability to expand an existing facility or open a new facility quickly while taking advantage of utility expense savings long term. Our chiller products can reduce the electrical capacity needed on-site by 30% or more. Our InVerde product can provide on-site power generation which allows customers to eliminate long lead times associated with electrical switch gear and bridge any short fall in power from the utility.

*Residual Impacts of Covid-19 Pandemic*

Supply chains were adversely impacted during Covid, resulting in significant delays or lack of availability of critical components such as engines. This has continued to have long term impact on product and service margins. The direct impact has been certain costs increasing faster than inflation. The indirect impact is from increased engine related costs in the service segment as replacements were deferred or overhauled components were used due to lack of parts. We have instituted a service price increase and have also been making engineering improvements to increase service intervals to increase gross margins.

*Tecochill Hybrid-Drive Air-Cooled Chiller Development*

During the third quarter of 2021, we began development of the Tecochill Hybrid-Drive Air-Cooled Chiller. We recognized that there were many applications where the customer wanted an easy to install roof top chiller. Using the inverter design from our InVerde e+ cogeneration module, the system can simultaneously take two inputs, one from the grid or a renewable energy source and one from our natural gas engine. This allows a customer to seek the optimum blend of operational cost savings and greenhouse gas benefits while providing added resiliency from two power sources. We introduced the Tecochill Hybrid-Drive Air-Cooled Chiller at the AHR Expo in February 2023 and received an order on February 8, 2024 for three hybrid-drive air-cooled chillers for a utility company in Florida. In March 2024, the US Patent and Trademark Office granted patent 11,936,327: "Hybrid Power System With Electric Generator and Auxiliary Power Source." We anticipate initial shipment of the hybrid-drive air-cooled chiller in the second quarter of 2025.

*Controlled Environment Agriculture*

On July 20, 2022, we announced our intention to focus on opportunities for the use of our cogeneration equipment in low carbon Controlled Environment Agriculture ("CEA"). We believe that CEA offers an exciting opportunity to apply our expertise in clean cooling, power generation, and greenhouse gas reduction to address critical issues affecting food and energy security. Food crops grown in greenhouses typically have lower yields per square foot than in CEA facilities where yields are increased by supplementing or replacing natural light with grow lights in a climate-controlled environment, requiring significant energy use. In recent years, our cogeneration equipment has been used in numerous cannabis cultivation facilities because our systems reduce the facility's need for power, significantly reduce operating costs and the facility GHG footprint, and offer resiliency to grid outages. Our experience providing clean energy solutions to cannabis cultivation facilities has given us significant insight into requirements relating to energy-intensive indoor agriculture applications that we expect to be transferable to CEA facilities for food production.

*Impact of Geopolitical Tensions*

We have no operations or customers in Russia, the Ukraine, or in the Middle East. The higher energy prices for natural gas as a result of the wars in Ukraine and the Middle East may affect the performance of our Energy Production Segment and the cost differential between grid generated energy and natural gas sourced energy using our cogeneration equipment. However, we have also seen higher electricity prices as much of the electricity production in the United States is generated from fossil fuels. If the electricity prices continue to rise, the economic savings generated by our products are likely to increase. In addition to the direct result of changes in natural gas and electricity prices, the war in Ukraine and the conflict in the Middle East may result in higher cybersecurity risks, increased or ongoing supply chain challenges, and volatility related to the trading prices of commodities.

*Impact of Tariffs*

The majority of our vendors are domestic. Although we have some exposure to Chinese and European suppliers, we do not anticipate any increases in tariffs to materially affect our operations.

*Related Party Notes*

On October 9, 2023, we entered into note subscription agreements with each of John N. Hatsopoulos and Earl R. Lewis, III, each a director and shareholder of the Company, pursuant to which Mr. Hatsopoulos agreed to provide financing to us of up to $1,000,000, and Mr. Lewis agreed to provide financing to us of $500,000, and potentially, an additional $500,000 at his discretion. On October 10, 2023, we borrowed $500,000 from Mr. Hatsopoulos and issued him a one-year promissory note with interest accruing at 5.12% per annum. On July 23, 2024, we borrowed an additional $500,000 from Mr. Hatsopoulos, and issued a one-year promissory note with interest accruing at 5.06% per annum. On March 21, 2024, Mr. Hatsopoulos amended the terms of the promissory note, dated October 10, 2023, extending the maturity date by one-year, making the maturity date October 10, 2025. On September 18, 2024, we borrowed $500,000 from Mr. Lewis and issued him a one-year promissory note with interest accruing at 4.57% per annum.

On January 14, 2025 we agreed to permit Mr. Lewis to either receive repayment of his note in cash or, at his discretion, convert the balance of the promissory note into shares of our common stock. In the event of such a conversion, the number of shares of we will be required to issue will be determined by dividing the balance due under the promissory note by the average closing price per share of our shares during the thirty-day period prior to the date of conversion.

On February 18, 2025 we amended the promissory notes with Mr. Hatsopoulos to extend the maturity dates for both promissory notes to July 31, 2026. We also agreed to permit Mr. Hatsopoulos to either receive repayment of his notes in cash, or at his discretion, convert the balance(s) due of one or both of the promissory notes into shares of our common stock. In the event of such a conversion, the number of shares we will be required to issue will be determined by dividing the balance(s) due under the promissory note(s) by the average closing price per share of our shares during the thirty-day period prior to the date of conversion.

See Note 11. Related Party Notes of the Notes to Condensed Consolidated Financial Statements.

**Overview**

Tecogen designs, manufactures, markets, and maintains high efficiency, ultra-clean cogeneration products. These include natural gas engine driven combined heat and power (CHP) systems, chillers and heat pumps for multi-family residential, commercial, recreational and industrial use. We are known for products that provide customers with substantial energy savings, resiliency from utility power outages and for significantly reducing a customer’s carbon footprint. Our products are sold with our patented Ultera® technology which nearly eliminates all criteria pollutants such as NOx and CO. Our systems are greater than 88% efficient compared to typical electrical grid efficiencies of 40% to 50%. As a result, our greenhouse gas (GHG) emissions per KwH are typically half that of the electrical grid. Our systems generate electricity and hot water or in the case of our Tecochill product, both chilled water and hot water. These result in savings of energy related costs of up to 60% for our customers. Our products are expected to run on Renewable Natural Gas (RNG) as it is introduced into the US gas pipeline infrastructure.

Our products are sold directly to end-users by our in-house sales team and by established sales agents and representatives. We have agreements in place with distributors and sales representatives. Our existing customers include hospitals and nursing homes, colleges and universities, health clubs and spas, hotels and motels, office and retail buildings, food and beverage processors, multi-unit residential buildings, laundries, ice rinks, swimming pools, factories, municipal buildings, military installations and indoor growing facilities. To date we have shipped over 3,200 units, some of which have been operating for almost 35 years.

With the acquisition of American DG Energy Inc. ("ADGE") in May 2017, we added an additional source of revenue. Through ADGE, we install, own, operate and maintain complete distributed generation electricity systems, or DG systems or energy systems, and other complementary systems at customer sites, and sell electricity, hot water, heat and cooling energy under long-term contracts at prices guaranteed to the customer to be below conventional utility rates. Each month we obtain readings from our energy meters to determine the amount of energy produced for each customer. We use a contractually defined formula to multiply these readings by the appropriate published price of energy (electricity, natural gas or oil) from each customer's local energy utility, to derive the value of our monthly energy sale, which includes a negotiated discount. Our revenues per customer on a monthly basis vary based on the amount of energy produced by our energy systems and the published price of energy (electricity, natural gas or oil) from our customer's local energy utility that month.

Our operations are comprised of three business segments. Our Products segment designs, manufactures and sells industrial and commercial cogeneration systems. Our Services segment provides operations and maintenance services ("O&M") for our products under long term service contracts. Our Energy Production segment sells energy in the form of electricity, heat, hot water and cooling to our customers under long-term sales agreements.

**Results of Operations**

*First Quarter of* 2025 *Compared to First Quarter of* 2024

The following table sets forth for the periods indicated, the percentage of net sales represented by certain items reflected in our condensed consolidated statements of operations:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2025 | March 31, 2024 |
| Revenues | 100.0 % | 100.0% |
| Cost of sales | 55.7 % | 58.4% |
| Gross profit | 44.3 % | 41.6% |
| Operating expenses | | |
| General and administrative | 40.2 % | 46.0% |
| Selling | 8.2 % | 8.6% |
| Research and development | 4.0 % | 4.1% |
| Total operating expenses | 52.4 % | 58.7% |
| Loss from operations | (8.2)% | (17.1)% |
| Total other expense, net | (0.9)% | (0.3)% |
| Loss before income taxes | (9.1)% | (17.2)% |
| Provision for state income taxes | — % | 0.4 % |
| Consolidated net loss | (9.1)% | (17.6)% |
| (Income) loss attributable to the non-controlling interest | — % | (0.3)% |
| Net loss attributable to Tecogen, Inc. | (9.1)% | (17.9)% |

*Revenues*

The following table presents revenue for the periods indicated, by segment and the change from the prior year:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | March 31, 2025 | March 31, 2024 | Increase (Decrease) $ | Increase (Decrease) % |
| **REVENUE:** | | | | |
| Products | | | | |
| Cogeneration | $ 1,080,369 | $ 774,229 | $ 306,140 | 39.5 % |
| Chiller | 1,374,197 | 657,061 | 717,136 | 109.1 % |
| Engineered accessories | 79,243 | 60,108 | 19,135 | 31.8 % |
| Total product revenues | 2,533,809 | 1,491,398 | 1,042,411 | 69.9 % |
| Services | 4,245,022 | 4,014,310 | 230,712 | 5.7 % |
| Energy production | 498,939 | 680,389 | (181,450) | (26.7)% |
| Total revenues | $ 7,277,770 | $ 6,186,097 | $ 1,091,673 | 17.6 % |

Total revenues for the three months ended March 31, 2025 were $7,277,770 compared to $6,186,097 for the same period in 2024, an increase of $1,091,673 or 17.6% year over year.

Products

Products revenues in the three months ended March 31, 2025 were $2,533,809 compared to $1,491,398 for the same period in 2024, an increase of $1,042,411, or 69.9%. The increase in revenue during the three months ended March 31, 2025 is due to an increase in chiller sales of $717,136, an increase in cogeneration sales of $306,140, and an increase in engineered accessory sales of $19,135. Our Products sales mix, as well as product revenue, can vary significantly from period to period as our products are high dollar, low volume sales.

Services

Service revenues in the three months ended March 31, 2025 were $4,245,022, compared to $4,014,310 for the same period in 2024, an increase of $230,712, or 5.7%. The increase in revenue during the three months ended March 31, 2025 is due to a $297,182 increase in revenues from existing service contracts, offset by a $66,470 reduction in revenue from the acquired Aegis maintenance contracts.

Our service operation revenues grow with the sale of installed systems, since the majority of our product sales are accompanied by a service contract or time and materials agreements. As a result, our "fleet" of units being serviced by our service department grows with product sales.

Energy Production

Energy Production revenues in the three months ended March 31, 2025 were $498,939, compared to $680,389 for the same period in 2024, a decrease of $181,450, or 26.7%. The decrease in Energy Production revenue is due to the expiration of several energy production contracts in late 2024 and the temporary shutdown of a few energy production sites for repairs in the three months ended March 31, 2025.

*Cost of Sales*

Cost of sales in the three months ended March 31, 2025 was $4,056,730 compared to $3,610,440 for the same period in 2024, an increase of $446,290, or 12.4%. The increase in cost of sales is due to increased product shipments and increased service contract maintenance costs due to higher labor and material costs. During the three months ended March 31, 2025 our gross margin increased to 44.3% compared to 41.6% for the same period in 2024, a 2.7% percentage point increase due to higher service contract revenue.

Products

Cost of sales for Products in the three months ended March 31, 2025 was $1,487,750 compared to $1,049,543 for the same period in 2024, an increase of $438,207, or 41.8% due to increased sales of Products and higher material and labor costs. During the three months ended March 31, 2025, our Products gross margin was 41.3% compared to 29.6% for the same period in 2024, a 11.7% percentage point increase. The increase in margin is a function of price increases instituted in 2024.

Services

Cost of sales for Services in the three months ended March 31, 2025 was $2,258,898 compared to $2,092,257 for the same period in 2024, an increase of $166,641, or 8.0%, due to increased labor and material costs. During the three months ended March 31, 2025, our Services gross margin decreased to 46.8% compared to 47.9% in the same period in 2024, a 1.1% percentage point decrease. The decrease in gross margin percent is due to increased labor and material costs incurred in 2025.

Energy Production

Cost of sales for Energy Production in the three months ended March 31, 2025 was $310,082 compared to $468,640 for the same period in 2024, a decrease of $158,558, or 33.8%. During the three months ended March 31, 2025 our Energy Production gross margin increased to 37.9% compared to 31.1% for the same period in 2024, a 6.8% percentage point increase. The increase in the energy production gross margin is due to decreased gas and maintenance costs due to the expiration of our energy production contracts at certain of our Energy Production sites in the three months ended March 31, 2025 compared to the same period in 2024.

*Operating Expenses*

Operating expenses increased $189,742, or 5.2%, to $3,815,284 in the three months ended March 31, 2025 compared to $3,625,542 in the same period in 2024.

| Operating Expenses | Three Months Ended March 31, 2025 | March 31, 2024 | Increase (Decrease) $ | Increase (Decrease) % |
|---|---|---|---|---|
| General and administrative | $ 2,928,135 | $ 2,848,568 | $ 79,567 | 2.8 % |
| Selling | 594,481 | 529,669 | 64,812 | 12.2 % |
| Research and development | 292,668 | 254,696 | 37,972 | 14.9 % |
| Gain on disposition of assets | — | (7,391) | (7,391) | 100.0 % |
| Total | $ 3,815,284 | $ 3,625,542 | $ 189,742 | 5.2 % |

General and administrative expenses consist of executive staff, accounting and legal expenses, office space, general insurance and other administrative expenses. General and administrative expenses for the three months ended March 31, 2025 were $2,928,135 compared to $2,848,568 for the same period in 2024, an increase of $79,567 or 2.8%, due to a $267,613 increase in payroll, benefits and recruitment costs and a $55,951 increase in travel and vehicles expense, offset partially by a $137,727 decrease in facility costs, due to the transition to our new facility in 2024, a $89,258 reduction in credit losses, due to the recovery of $75,000 recognized in 2025 and a reduction in a litigation reserve of $79,006 due to the settlement of the litigation.

Selling expenses consist of sales staff, commissions, marketing, travel and other selling related expenses. Selling expenses for the three months ended March 31, 2025 were $594,481 compared to $529,669 for the same period in 2024, an increase of $64,812 or 12.2%, due to a $119,499 increase in sales commission, offset partially by a $51,657 reduction in payroll and related benefit costs.

Research and development expenses consist of engineering and technical staff, materials, outside consulting and other related expenses. Research and development expenses for the three months ended March 31, 2025 were $292,668 compared to $254,696 for the same period in 2024, an increase of $37,972 or 14.9%, due to a $42,905 increase and payroll and related benefit costs.

The gain on asset dispositions for the three months ended March 31, 2024 of $7,391 represents the excess of insurance proceeds received over the net book value of assets for auto claims filed during the period.

*Income (loss) from Operations*

Our loss from operations for the three months ended March 31, 2025 was $594,244 compared to a loss from operations of $1,049,885 for the same period in 2024, a decrease of $455,641. The decrease is due to higher Products and Services segment revenues and increased gross profit, offset partially by a $189,742 increase in operating expenses.

*Other Income (Expense), net*

Other expense, net for the three months ended March 31, 2025 was $65,320 compared to other expense net of $15,668 for the same period in 2024, an increase of $49,652, due to a $13,656 increase in interest due to borrowings under our related party note and lease financing and a decrease of $37,498 in unrealized income on marketable securities in the three months ended March 31, 2025.

*Provision for State Income Taxes*

The provision for state income taxes for the three months ended March 31, 2025 and 2024 was $925 and $22,063, respectively, and represents estimated income tax payments, net of refunds, to various states.

*Non-controlling Interest*

The loss attributable to the non-controlling interest was $567 for the three months ended March 31, 2025 which represents the non-controlling interest portion of American DG Energy's 51% owned subsidiary, American DG New York, LLC. For the same period in 2024, income attributable to the non-controlling interest was $17,351. The loss in the three months ended March 31, 2025 is attributable to the expiration of an Energy Production contract at one of the Energy Production sites.

*Net Income (loss) Attributable to Tecogen Inc.*

The net loss attributable to Tecogen for the three months ended March 31, 2025 was a net loss of $659,922 compared to a net loss of $1,104,967 for the same period in 2024, a decrease of $445,045, or 40.3%. The decrease in the net loss is due to increased revenue and gross profit from our Products and Services segments, offset partially by a $189,742 increase in operating expenses.

**Liquidity and Capital Resources**

*Sources of Liquidity*

During the three months ended March 31, 2025, we incurred a loss from operations of $594,244 compared to a net loss from operations of $1,049,885 in the same period in 2024. Cash flows from operations decreased $1,421,619 during the three months ended March 31, 2025 compared to the same period in 2024. As of March 31, 2025, we had cash and cash equivalents of $4,066,793 compared to cash and cash equivalents of $5,405,233 as of December 31, 2024, a decrease of $1,338,440 or 24.8%, and an accumulated deficit as of March 31, 2025, of $48,299,816. In addition to cash from operations, we have relied upon loans from related parties to help fund our operations. See *Note 11. Related Party Notes of the Notes to the Condensed Consolidated Financial Statements and "Recent Developments - Related Party Notes,"* above.

*Cash Flows*

The following table presents a summary of our net cash flows from operating, investing and financing activities:

| | Three Months Ended | | |
|---|---|---|---|
| **Cash Provided by (Used in)** | **March 31, 2025** | **March 31, 2024** | **Increase (Decrease)** |
| Operating activities | $ (1,173,403) | $ 248,216 | $ (1,421,619) |
| Investing activities | (164,909) | (71,939) | (92,970) |
| Financing activities | (128) | (17,112) | 16,984 |
| Cash Provided by (Used in) | $ (1,338,440) | $ 159,165 | $ (1,497,605) |

Consolidated working capital at March 31, 2025 was $5,667,549 compared to $5,329,650 at December 31, 2024, an increase of $337,899, or 6.3%. Included in working capital were cash and cash equivalents of $4,066,793 at March 31, 2025, compared to $5,405,233 at December 31, 2024, a decrease of $1,338,440, or 24.8%.

*Cash Flows from Operating Activities*

Cash used by operating activities for the three months ended March 31, 2025 was $1,173,403 compared to cash generated of $248,216 by operating activities for the same period in 2024, a decrease of $1,421,619. Our accounts receivable and unbilled revenue balances were $5,849,511 and $126,738, respectively, at March 31, 2025 compared to $6,026,545 and $398,898 at December 31, 2024, generating $524,194 of cash.

Accounts payable increased to $4,346,918 as of March 31, 2025 from $4,142,678 at December 31, 2024, providing $204,237 in cash flow from operations. The increase in accounts payable was due to increased material procurement in anticipation of future Products shipments. Deferred revenue decreased to $6,826,058 as of March 31, 2025 compared to $7,867,082 as of December 31, 2024, due to the application of customer deposits against accounts receivables as Products ship, using $1,041,023 of cash from operations. We expect accounts payable and deferred revenue to fluctuate with routine changes in operations.

*Cash Flows from Investing Activities*

During the three months ended March 31, 2025 we used $132,020 of cash to purchase property, plant and equipment, primarily for improvements required at the North Billerica facility, and distributed $32,889 to the 49% non-controlling interest holders of American DG New York LLC. During the three months ended March 31, 2024 we used $104,952 of cash for improvements required to the North Billerica facility and received $33,013 in proceeds from the disposition of assets, including insurance proceeds.

*Cash Flows from Financing Activities*

During the three months ended March 31, 2025 we used $38,628 of cash in payment of finance lease principal and received $38,500 of proceeds from the exercise of stock options. During the three months ended March 31, 2024 we used $17,112 of cash in payment of finance lease principal.

*Backlog*

As of March 31, 2025, our backlog of product and installation projects, excluding service contracts, was $9,522,015, consisting of $9,091,587 of purchase orders received by us and $430,428 of projects in which the customer's internal approval process is complete, financial resources have been allocated and the customer has made a firm verbal commitment that the order is in the process of execution. As of March 31, 2024, our backlog of product and installation projects, excluding service contracts, was $5,554,599 consisting of $5,122,266 of purchase orders received by us and $432,333 of projects in which the customer's internal approval process is complete, financial resources have been allocated and the customer has made a firm verbal commitment that the order is in the process of execution. Backlog at the beginning of any period is not necessarily indicative of future performance. Our presentation of backlog may differ from other companies in our industry.

*Liquidity*

At March 31, 2025, we had cash and cash equivalents of $4,066,793, a decrease of $1,338,440 or 24.8% from the cash and cash equivalents balance at December 31, 2024.

At our current operational level, we believe existing resources, including cash and cash flows from operations and the proceeds of our related party notes will be sufficient to meet our working capital requirements for the next twelve months. See "Liquidity and Capital Resources - Sources of Liquidity" above. However, we may require additional cash to fund operations and grow our business, including to fund the development of our hybrid-drive air-cooled chiller and our development of additional markets for our products. In such event, we may be required to raise additional financing through one or more equity or debt financings. There is no assurance we will be able to raise such financing or upon terms that are acceptable to us or at all. If adequate financing is not available, we may be required to implement cost-cutting strategies, delay production, curtail research and development efforts, or implement other measures which may adversely affect our results of operations, financial condition, and the price of our stock. (See also *"Note 2 to the Condensed Consolidated Financial Statements"* and in our Consolidated Financial Statements for the year ended December 31, 2024, included in our 2024 Form 10-K.)

**Significant Accounting Policies and Critical Estimates**

Our significant accounting policies are discussed in the Notes to our Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2024. The accounting policies and estimates that can have a significant impact upon our operating results, financial position and footnote disclosures are described in the above notes and in the Annual Report.

**Significant New Accounting Standards or Updates Not Yet Effective**

The Company's critical accounting policies have remained consistent with the policies disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC on March 18, 2025.

See Note 1, *Description of Business and Basis of Presentation*, to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

**Seasonality**

The majority of our chilling systems sold are operational during the summer. Demand for our service team is higher in the warmer months when cooling is required. Chiller units are generally shut down in the winter and started up again in the spring. The chiller "busy season' for the service team generally runs from May through the end of September. Our cogeneration sales are not generally affected by seasonality.

**Off-Balance Sheet Arrangements**

Currently, we do not have any material off-balance sheet arrangements, including any outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. We do not engage in trading activities involving non-exchange traded contracts.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

**Item 4. Controls and Procedures.**

*Management's Evaluation of Disclosure Controls and Procedures:*

As of the end of the period covered by this Report, our Chief Executive Officer and Chief Financial Officer ("Certifying Officer") conducted evaluations of our disclosure controls and procedures. As defined in Rule 13a-15(e) and 15d-15(e) under Securities Exchange Act of 1934, as amended ("Securities Exchange Act"), the term "disclosure controls and procedures" means controls and procedures of an issuer that are designed to ensure the information required to be disclosed by the issuer in the reports that it files or submits under Section 13(a) or 15(d) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under Section 13(a) or 15(d) of the Securities Exchange Act is accumulated and communicated to the issuer's management, including the Certifying Officer, to allow timely decisions regarding required disclosure.

Our disclosure controls and procedures are designed to provide reasonable assurance that the control system's objectives will be met. Our management, including our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report, has concluded that our disclosure controls and procedures were not effective due to a material weakness with respect to a small number of individuals dealing with general controls over information technology. Management will continue to evaluate the above weaknesses and we are taking steps to remediate the weaknesses as resources become available.

*Remediation*

We are committed to remediating the material weakness identified in internal controls over financial reporting and have begun the process to remediate this material weakness. Our efforts will focus on instituting mitigating controls to address segregation of duties; hiring of additional staff; implementing additional controls to address system access deficiencies; implementing additional controls over business operations; establish independent review and verification procedures for our vendor and customer master files; enhance the documentation to support review occurrences and approval procedures; and, commence regular periodic reviews of our internal controls over financial reporting with our Board of Directors and Audit Committee to address the inadequate risk oversight function and institute procedures to evaluate and report on risks to financial reporting, including the documentation and completion of a comprehensive risk assessment to identify all potential risk areas and evaluate the adequacy of our controls to mitigate these risks.

*Changes in Internal Control over Financial Reporting:*

There were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

Except as described below, we and our subsidiaries and our properties are not parties to any material pending legal proceedings, other than ordinary routine litigation incidental to our business.

On November 23, 2022, we were served with a suit filed against us on August 24, 2022 in the Ontario Superior Court of Justice by The Corporation of the Town of Milton, Milton Energy Generation Solutions Inc. and Milton Hydro Distribution Inc. (the "Plaintiffs"), all of whom are municipal corporations incorporated in the Province of Ontario. The plaintiffs sued for damages in the amount of CDN $1,000,000, prejudgment and post-judgment interest, and legal fees, alleging breach of contract, breach of warranty, negligent misrepresentations and nuisance. Plaintiffs allege that on or about July 10, 2022, a Tecogen cogeneration unit installed by us at the plaintiffs facility caught fire, causing damage to the cogeneration unit and the plaintiff's facility. We filed a response denying liability and are represented by Canadian counsel. For the year ended December 31, 2022, we reserved $150,000 for anticipated damages which may not be covered by our insurance and maintained the reserve at December 31, 2024. On January 13, 2025, Tecogen and our insurers entered into a Settlement Agreement and Full and Final Release from any and all claims, obligations and liabilities, arising from the July 10, 2022 fire in the amount of CDN $400,000, of which we were responsible for CDN $100,000. On February 7, 2025, we remitted CDN $100,000, or $70,994, representing payment in full of our liability relating to this matter and recorded a benefit of $79,006 in our condensed consolidated statements of operations in the three months ended March 31, 2025.

### Item 1A. Risk Factors

*In addition to the risks described below, you should carefully consider the factors discussed under "Item1A - Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended December 31, 2024 ("2024 Form 10-K") The risks discussed in our 2024 Form 10-K could materially affect our business, financial condition and future results. The risks described in our 2024 Form 10-K and below 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 and adversely affect our business, financial condition or operating results.*

**We incurred a loss from operations of $594,244 during the three months ended March 31, 2025, compared to a loss from operations of $1,049,885 in the same period in 2024. We have a history of incurring losses from our operations and there can be no assurance we will be able to increase our revenues, manage our expenses and cash flows, and become profitable in the future.**

We incurred a loss from operations of $594,244 during the three months ended March 31, 2025, compared to a loss from operations of $1,049,885 in the three months ended March 31, 2024. Historically, we have incurred losses from operations, including a loss of $4,760,238 in the year ended December 31, 2024, and, as of March 31, 2025, we had an accumulated deficit of $48,299,816. Our business is capital intensive and, because our products are built to order with customized configurations, the lead time to build and deliver a unit can be significant. We may be required to purchase key components long before we can deliver a unit and receive payment. Changes in customer orders or lack of demand may also impact our profitability. There can be no assurance we will be able to increase our sales and achieve and sustain profitability in the future. Our cash flows from operations are insufficient to fund our business and, currently, we are reliant upon financing provided by related parties to help fund our operations.

### Item 2. Unregistered Sales of equity Securities and Use of Proceeds

None.

### Item 3. Defaults in Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

#### Securities Trading Plans of Directors and Executive Officers

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

**Item 6. Exhibits**

| Exhibit No. | Description of Exhibit |
|---|---|
| 31.1* | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1** | Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| | |
| 101.INS** | XBRL Instance Document |
| 101.SCH** | XBRL Taxonomy Extension Schema |
| 100.CAL** | XBRL Taxonomy Extension Calculation Linkbase |
| 100.DEF** | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB** | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE** | XBRL Taxonomy Extension Presentation Linkbase |

* Filed herewith
** Furnished herewith
\+ Compensatory plan or arrangement

**TECOGEN INC.**

## SIGNATURES

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

TECOGEN INC.
(Registrant)

Dated: May 13, 2025

By: /s/ Abinand Rangesh
Abinand Rangesh
Chief Executive and Financial Officer
(Principal Executive and Financial Officer)

**EXHIBIT 31.1**

**TECOGEN INC.**
CERTIFICATION REQUIRED BY EXCHANGE ACT RULES 13a-14(a) and 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Abinand Rangesh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tecogen 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(s) 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.

5. The registrant's other certifying officer(s) 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: May 13, 2025

/s/ Abinand Rangesh
Abinand Rangesh
Chief Executive and Financial Officer

**EXHIBIT 32.1**

**TECOGEN INC.**
CERTIFICATION REQUIRED BY EXCHANGE ACT RULES 13a-14(b) and 15d-14(b),
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Abinand Rangesh, Chief Executive and Financial Officer, of Tecogen Inc., or the Company, certify, pursuant to Section 1350, Chapter 63 of Title 18, United States Code that, to his knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2025 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78 m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2025

/s/ Abinand Rangesh
Abinand Rangesh
Chief Executive and Financial Officer