

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2025
or
- 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
*(State or Other Jurisdiction of Incorporation or
Organization)*

04-3536131
(IRS Employer Identification No.)

76 Treble Cove Road, Bldg. 1
North Billerica, Massachusetts 01862
(Address of Principal Executive Offices and Zip Code) *(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(g) of the Securities Exchange Act: **Common Stock, \$.001 par value per share**

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

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

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

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

Indicate by check mark whether the registrant is a "large accelerated filer", an "accelerated filer", a "non-accelerated filer", 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-Accelerated Filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

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

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

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

As of June 30, 2025, the last day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting and non-voting common equity held by non-affiliates was: \$84,162,165. Solely for purposes of this disclosure, shares of common stock held by executive officers and directors of the registrant have been excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 19, 2026, 29,855,229 shares of common stock, \$.001 par value per share, of the registrant were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required for Part III of this Annual Report on Form 10-K is incorporated by reference to Tecogen Inc.'s definitive proxy statement for its 2026 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, within 120 days following its fiscal year ended December 31, 2025.

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("*report*") contains forward-looking statements within the meaning of the federal securities laws that involve a number of risks and uncertainties. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "*believe*," "*expect*" "*anticipate*," "*intend*," "*plan*," "*estimate*," "*project*," "*target*," "*potential*," "*will*," "*should*," "*seek*," "*could*," "*likely*" "*may*," "*pro-forma*," "*anticipate*," "*continue*" or other variations thereof (including their use in the negative), or by discussions of strategies, plans or intentions. All statements, other than statements of historical fact, included in this report regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans and objectives of management are 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.

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.

The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that may cause us, our customers' or our industry's actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements to differ. See "*Item 1A. Risk Factors*" and "*Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*" in this report, as well as other sections in this report that discuss some of the factors that could contribute to these differences.

In addition, such forward-looking statements are necessarily dependent upon assumptions and estimates that may prove to be incorrect. Although we believe that the assumptions and estimates reflected in such forward-looking statements are reasonable, we cannot guarantee that our plans, intentions, or expectations will be achieved. The information contained in this report, including the section discussing risk factors, identifies important factors that could cause such differences.

The cautionary statements made in this report are intended to be applicable to all related forward-looking statements wherever they appear in this report. The forward-looking statements made in this report relate only to events as of the date on which the statements are made. Except as required by law, we undertake no obligation to update or release any forward-looking statements as a result of new information, future events, or otherwise, and assume no obligation to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements.

Our logo, trademarks and service marks are the property of Tecogen. Other trademarks or service marks appearing in this report are the property of their respective holders. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this report may appear without the TM, SM, ® or © symbols, but such references are not intended to indicate in any way that we or any third-party will not assert, to the fullest extent under applicable law, their rights or the right of the applicable licensor to these trademarks, service marks, trade names and copyrights.

This report also contains or may contain market data related to our business and industry and any such market data may include projections that are based on certain assumptions. If these assumptions turn out to be incorrect, actual results may differ from the projections based on these assumptions. As a result, our markets may not grow at the rates projected by this data, or at all. The failure of these markets to grow at these projected rates may have a material adverse effect on our business, results of operations, financial condition, and the trading price of our common stock.

References in this report to "we," "our," "us," the "Company" and "Tecogen" refer to Tecogen Inc. and its consolidated subsidiaries, unless otherwise noted.

TECOGEN INC.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

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PART 1

Item 1. Business

Our Company

Tecogen Inc., a Delaware corporation (together with its subsidiaries "we", "our", "us", "Tecogen," or "Company") produces 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 customer facility. The majority of our customers are located in regions with the highest utility rates, typically California, the Midwest and the Northeast.

We were incorporated in the State of Delaware on September 15, 2020. We have two wholly-owned subsidiaries American DG Energy, Inc. ("ADGE") and Tecogen CHP Solutions, Inc.. In addition, we own a 51% interest in American DG New York, LLC ("ADGNY"), a joint venture. ADGE and ADGNY distribute, own, and operate clean, on-site energy systems that produce electricity, hot water, heat and cooling. ADGE and ADGNY own the equipment that is installed at customers' facilities and sell the energy produced to the customer on a long-term contractual basis.

Our Business

Our business operations are comprised of three business segments:

- *Products Segment* - designs, manufactures and sells industrial and commercial cogeneration and chiller systems;
- *Services Segment* - provides operations and maintenance ("O&M") services for our products under long term service contracts; and
- *Energy Production Segment* - installs, operates and maintains distributed generation electricity systems that we own, and sells the energy generated by such systems in the form of electricity, heat, hot water and cooling to our customers under long-term energy sales agreements.

Products. Typical customers for our cogeneration and chiller systems include hospitals and nursing homes, schools 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, indoor agriculture, military installations, and indoor growing facilities. Our refrigeration compressors are applied primarily to industrial applications that include cold storage, wineries, dairies, ice rinks and food processing.

Market drivers include the price of natural gas, local electricity rates, environmental regulations, and governmental energy policies, as well as customers' desire to become more environmentally responsible. The majority of our customers are located in regions with the highest utility rates, typically California, the Midwest and the Northeast. We have shipped over 3,200 units, some of which have been operating for almost 35 years.

Services. Our Services business consists of maintenance services, primarily for our own CHP products, provided by our specialized technical staff through our factory service centers located in California, Connecticut, Florida, Massachusetts, Michigan, New Jersey, New York, and Toronto, Canada.

As of December 31, 2025, our Services business provided maintenance services for approximately 244 chillers and 764 cogeneration units pursuant to maintenance services agreements.

Energy Production. Our Energy Production business is conducted by our subsidiary ADGE which sells energy in the form of electricity, heat, hot water and cooling to customers under long-term energy sales agreements (typically with terms of 10 to 15 years). The typical sales model is to install and own energy systems in customers' buildings and sell the energy or cooling produced by those systems back to the customers at a cost set by a negotiated formula in customer contracts.

As of December 31, 2025, ADGE owned 14 operational energy systems, representing an aggregate of approximately 1,045 kilowatts of electrical capacity from cogeneration units and 850 cooling ton capacity from chillers.

Our Growth Strategies

Artificial Intelligence Data Centers

We believe artificial intelligence data centers represent a significant growth opportunity for Tecogen. At the end of 2024, 6,350MW of new data center capacity was in construction. *See CBRE North America Data Center Trends H22024.* Construction activity was driven in part by robust demand and extended timelines due to power constraints at existing data centers. Power consumption and the requisite cooling requirements have been increasing with each new generation of chips.

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For example, the maximum thermal design power for Blackwell architecture is 1.2KW versus 0.7KW for the H100 Tensor core architecture.

We believe our chiller and on-site power generation solutions can help alleviate power constraints faced by data centers. By using our natural gas cooling systems instead of an electric cooling system, a data center can increase the amount of available power for computing. This increase in available power has the potential to increase a data center's revenue and profits.

A single data center could use upwards of 10,000 tons of cooling which would require between 18 and 22 Tecogen DTx chillers. An electric chiller plant of a similar size would require approximately 6MW of power allocation (electric chiller full load 0.6kW/Refrigeration ton). This could represent up to \$10 million in lost revenue to a data center based on current rental rates for data centers (national average of \$184.06/KW/month based upon the CBRE North American Data Center Trends H2 2024). If this power is allocated to an electric chiller, it is not available for computing, reducing the revenue potential of a data center by a commensurate amount.

Our chillers also provide customers with reduced operating costs compared to an equivalent electric chiller. In many of the regions in which we operate, such as New England and New York, the prevailing electricity prices can exceed \$0.16/kWh while the equivalent natural gas costs are less than \$0.04/kWh. Typically, chiller projects also have the advantage of faster construction timelines than power generation projects because there is limited electrical work needed. Our chiller solutions can be deployed as retrofits or as part of new construction.

If further power is needed, our on-site power generation systems also offer some unique advantages for data centers. Our InVerde cogeneration units are modular, inverter based and UL certified. They can be installed indoors or outdoors and include the CERTs microgrid algorithm. During off-grid operation, the CERTS microgrid algorithm provides stable control of reactive power and the microgrid as a whole by eliminating destabilizing circulating currents between generation sources.

Using a modular inverter-based system means a cluster of power generation units can be sited close to the point of use and be dedicated to a section of a building or a data center. A modular design also reduces the risk of a single failure point and is less susceptible to electrical conversion and distribution losses.

Our chiller and on-site power generation systems are equipped as standard with our patented Ultera emissions packages. This allows simplified air-permitting in many parts of the country including California and Massachusetts.

The Berkley Lab 2024 United States Data Center Energy Usage Report predicts that the co-location and hyperscale data centers will represent 80% or more of data centers by 2028 and consume 90% of the electricity consumed by data centers.

On February 28, 2025, to effectively begin the marketing of our product solutions to co-location data centers, we signed a global partnership agreement with Vertiv Corporation ("*Vertiv*") for the sale and distribution of our products for data center cooling applications in the U.S. and abroad. See "*Recent Developments – Vertiv Sales and Marketing Agreement*," below. Vertiv is a global provider of critical digital infrastructure and continuity solutions, including for data and communications centers.

Although there can be no assurance, management believes that, if we are able to penetrate the data center market, including through our partnership with Vertiv, it may represent a significant revenue growth opportunity for us.

Management estimates that a single AI co-location data center may use 20 or more of our DTx chillers and that a single project could be equal to our average historical annual product volume.

Recent Developments

Recent Equity Financing

On July 21, 2025, we closed on the sale of an aggregate of 3,985,000 shares of our common stock, \$0.001 par value per share ("common stock"), including an additional 485,000 shares of common stock to cover over-allotments, at a price to the public of \$5.00 per share (before deduction of underwriting discounts and commissions), in a firm commitment underwritten public offering pursuant to an underwriting agreement, dated July 18, 2025, between the Company and Roth Capital Partners, LLC, as sole underwriter and manager for the offering ("Offering"). The net proceeds from the Offering, after deducting underwriting discounts and commissions and offering expenses were approximately \$18,105,100. See "Note 1. Description of Business and Basis of Presentation" of the Notes to Condensed Consolidated Statements for additional detail on the net Offering proceeds.

We have used and intend to use the net proceeds of the Offering for continued product development, increased sales and marketing activities, sales, marketing, additional human resources, capital expenditures, repayment of related party promissory notes and other costs and expenses we may incur in connection with the anticipated expansion into the data center market, and for general working capital and corporate purposes.

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Uplist to NYSE American Stock Exchange

On April 30, 2025, we announced that our common stock had been 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 ("Vertiv Agreement"). The Vertiv Agreement has a term of two years and provides that Vertiv will engage in establishing 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 for such applications 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 ("SEC") 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 "First Amendment"). The First 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 5. "Aegis Contract and Related Asset Acquisition" of the Notes to the 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 has had a material impact on anti-fossil fuel sentiment and the regulatory environment that is more favorable to our business. We have also diversified our sales activities to reduce our reliance on markets like New York City.

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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.

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 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 which were shipped in the second and third quarter of 2025. In March 2024, the US Patent and Trademark Office granted patent 11,936,327: "Hybrid Power System With Electric Generator and Auxiliary Power Source."

Impact of Geopolitical Tensions

We have no operations or customers in Russia, the Ukraine, or in the Middle East, including the recent military actions in Iran. The higher energy prices for natural gas as a result of these wars 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, we extended the maturity date of the promissory note dated October 10, 2023 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 we were required to be issue is 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 were required to issue is 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. Both of the promissory notes with Mr. Hatsopoulos were reclassified to long-term liabilities due to the February 18, 2025 amendment.

The promissory notes were repaid in full or converted to shares of our common stock in the year ended December 31, 2025. See Note 11. "Related Party Notes" of the Notes to the Consolidated Financial Statements.

Overview of Our Business

Our operations are comprised of three business segments. Our Products segment designs, manufactures and sells industrial and commercial cogeneration systems and chillers. Our Services segment provides O&M services 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.

Products

Our products offer customers energy savings, resiliency and a cleaner environmental footprint. Our cogeneration, chiller, and heat pump systems use an engine to generate electricity or shaft work and recover the waste heat from the engine. 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 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. Our products are expected to run on Renewable Natural Gas (RNG) as it is introduced into the US gas pipeline infrastructure.

Our natural gas-powered cogeneration systems (also known as combined heat and power or “CHP”) are efficient because they drive electric generators or compressors, which reduce the amount of electricity purchased from the utility while recovering the engine’s waste heat for water heating, space heating, and/or air conditioning at the customer’s building.

Our commercial product lines include:

- the InVerde e+[®] and TecoPower[®] cogeneration units that supply electricity and hot water;
- Tecochill[®] air-conditioning and refrigeration chillers that produce chilled water and hot water;
- Tecochill[®] hybrid-drive air-cooled chiller, gas engine-driven chillers that provide air conditioning and hot water;
- Tecofrost[®] gas engine-driven refrigeration compressors that circulate refrigerant and provide hot water as a byproduct; and,
- Ultera[®] emissions control technology.

Typical customers for our InVerde and TecoPower cogeneration products have a simultaneous need for electrical power and hot water. These include hospitals, nursing homes, schools, universities, health clubs, spas, hotels and motels, office and multi-unit residential buildings. Our Tecochill chiller products benefit customers who have a simultaneous need for cooling and hot water which is typical in sites such as hospitals, ice rinks, indoor agriculture and food processing. Our Tecofrost refrigeration compressors are applied primarily to industrial applications that include cold storage, wineries, dairies, ice rinks and food processing. The factors that drive the demand for such products include the price of natural gas, local electricity rates, environmental regulations, and governmental energy policies, as well as customers’ desire to become more environmentally responsible.

Our Tecochill and Tecofrost cooling and refrigeration products provide both cooling and make use of high-grade waste heat. This is of particular advantage in facilities that control both temperature and humidity. In such facilities, climate control is achieved by cooling the facility to remove humidity and then reheating to the required temperature. Using engine waste heat to perform the reheat while utilizing natural gas to generate the cooling provides significant economic and environmental benefits. As a result our products have significant competitive advantages in applications that operate year-round such as controlled environment agriculture, indoor ice rinks, and hospitals.

Our CHP products are designed as compact modular units that are intended to be installed in multiples. This approach has significant advantages over utilizing a single larger cogeneration or chiller unit, allowing placement in constrained urban settings and redundancy to mitigate service outages. Redundancy is particularly relevant in regions where the electric utility has formulated tariff structures that include high “peak demand” charges. Such tariffs are common in many areas of the country, and are applied by such utilities as Southern California Edison, Pacific Gas and Electric, Consolidated Edison of New York, and National Grid of Massachusetts. Because these tariffs are assessed based on customers’ peak monthly demand charge over a very short interval, typically only 15 minutes, a brief service outage for a system comprised of a single unit can create a high demand charge, and therefore be highly detrimental to the monthly savings of the system. Multiple unit sites dramatically reduce the likelihood of a full system outage that would result in a high demand charge, giving customers with multiple units a greater probability of capturing peak demand savings.

Our products are sold directly to customers by our in-house marketing team and by established independent sales agents and representatives.

TECOGEN INC.

Ultra Low Emissions Technology.

All of our CHP products are available with the patented Ultra low-emissions technology as an equipment option. This breakthrough technology was developed in 2009 and 2010 as part of a research effort partially funded by the California Energy Commission and Southern California Gas Company in response to the changing regulatory requirements for stationary engines to economically remove air pollutants from engine exhaust. United States and foreign patents for the technology were granted beginning in October 2013 and additional domestic and foreign patents granted or applications are pending. Branded Ultra®, this ultra-clean emissions technology repositions our engine driven products in the marketplace, making them comparable environmentally with other technologies such as fuel cells, but at a much lower cost and greater efficiency.

Multiple Tecogen CHP modules fitted with the patented Ultra emissions control technology have been permitted under the current regulatory limits in the Los Angeles area for unrestricted operation, the first natural gas engines to do so without operating time limits or other exemption. These engines were permitted to levels matching the California Air Resources Board ("CARB") stringent 2007 emissions requirements, the same emissions standard used to certify fuel cells, and the same emissions levels as a state-of-the-art central power plant. As of December 31, 2025, our Ultra CHP, and fuel cell technologies, are the only technologies we are aware of that comply with California's air quality standards for CO and NOx, the world's strictest air quality standards.

We offer our Ultra emissions control technology as standard on all our products or as a stand-alone application for retrofitting other rich-burn spark-ignited reciprocating internal combustion engines such as the engine-generators described above. As demand response programs become more economically attractive and air quality regulations become more stringent, there could be increased demand for retrofitting standby generators with our Ultra emissions control technology to provide a cost-effective solution to keep the installed base of standby generators operational and in compliance with regulatory requirements. Our engine-generators have also been used in California to power dispersed loads in a fire-prone area where frequent de-energizing of the electric overhead power lines is required for safety.

Services

Through our factory service centers in California, Connecticut, Florida, Massachusetts, Michigan, New Jersey, New York, and Ontario, Canada, our specialized technical staff maintains our products via long-term service contracts. To date we have shipped over 3,200 units, some of which have been operating for almost 35 years.

We provide maintenance service contracts, parts sales, and installation for our products through a network of eleven well-established field service centers in California, the Midwest, the Northeast, the Southeast and in Toronto, Canada. These centers are staffed by our full-time technicians, working from local leased facilities which provide office and warehouse space for inventory. Most of our service revenue is in the form of annual service contracts which typically provide all-inclusive "bumper-to-bumper" coverage, with service fees based on equipment operating hours for the relevant period. Customers are therefore invoiced in level, predictable amounts without unforeseen add-ons for unscheduled repairs or engine replacements.

We strive to maintain product service contracts for many years and work to maintain the integrity and performance of our equipment. Our products have a long history of reliable operation. Since 1995, we have had a remote monitoring system in place that connects to hundreds of units daily and reports their "availability," which is the amount of time a unit is running or is ready to run. In 2017, we improved our remote monitoring system capability through the introduction of a cloud-based system called CHPInsight. The CHPInsight platform allows us to collect, analyze and manage data regarding equipment operation continuously and in real time, providing improved insight into the functionality of our CHP fleet. Our factory service agreements have directly impacted these positive results and represent an important long-term annuity-like stream of revenue for us.

New equipment sold beginning in 2016 and select upgrades to the existing installed equipment fleet includes an industrial internet solution which enables Tecogen to collect, analyze, and manage valuable asset data continuously and in real-time. This provides the service team with improved insight into the functionality of our installed CHP fleet. Specifically, it enables the service department to perform remote monitoring and diagnostics and to view system results in real time via a computer, smart phone, or tablet. Consequently, we can utilize monitoring data better, ensuring customers are capturing maximum possible savings and efficiencies from their installation. Through constant monitoring and analysis of equipment data, Tecogen expects to enhance the performance of installed equipment by ensuring machinery consistently operates at peak performance and is available to deliver maximum potential value for customers. In 2018, we migrated our cloud-based system from a third-party system to our CHP Insight® system developed in-house to access and store operating data on the cloud and provide user interface features specific to CHP operation as well as sophisticated data analysis tools.

Energy Production

Our wholly owned subsidiary, ADGE, distributes, owns and operates clean, on-site energy systems that produce electricity, hot water, heat, and cooling for our customers. ADGE owns the equipment that it installs at customers' facilities and sells the energy produced by these systems to customers on a long-term contractual basis. ADGE utilizes energy equipment supplied by Tecogen and other cogeneration manufacturers. Our cogeneration systems produce electricity from an internal combustion engine driving a generator, while the heat from the engine and exhaust is recovered and typically used to produce heat and hot water for use on-site. ADGE also distributes and operates water chiller systems for building cooling applications that operate in a similar manner, except that the engines in the water chiller systems drive a large air-conditioning compressor while recovering heat for hot water.

Cogeneration systems reduce the amount of electricity that a customer must purchase from the local utility and produce valuable heat and hot water on-site to use as required. By simultaneously providing electricity, hot water, and heat, cogeneration systems also have a significant positive impact on the environment by reducing the carbon dioxide, or CO₂, produced by replacing a portion of the traditional energy supplied by the electric grid and conventional hot water boilers. Distributed generation of electricity, or DG, often referred to as cogeneration systems or combined heat and power systems, or CHP, is an attractive option for reducing energy costs and increasing the reliability of available energy.

We believe that the primary opportunity for our cogeneration and chiller DG systems are in regions of the U.S. where commercial electricity rates range between \$0.15 and \$0.31 per kW hour, or kWh, which are predominantly in the Northeast, Mid-Atlantic, Florida, California, and parts of Canada. Attractive DG economics are currently attainable in applications that include hospitals, nursing homes, multi-tenant residential housing, hotels, schools and colleges, recreational facilities, food processing plants, dairies, and other light industrial facilities. We also believe that the largest number of potential DG users in the U.S. require less than 1 MW of electric power and less than 1,200 tons of cooling capacity. We are able to design our systems to suit a particular customer's needs because of our ability to place multiple units at a site. This approach is part of what allows our products and services to meet changing power and cooling demands throughout the day (also from season-to-season) and greatly improves efficiency.

Our Energy Production segment sells energy in the form of electricity, heat, hot water and cooling to our customers under long-term sales agreements which represented 4.9% and 9.3% of our consolidated revenues for the years ended December 31, 2025 and 2024, respectively. See Note 18. "Segments" of the Notes to the Consolidated Financial Statements.

Sales & Distribution

Our products and services are sold directly to end-users by our sales team and by established independent sales agents and representatives. We have entered into agreements with manufacturers' representatives and outside sales representatives who are compensated on a commission basis for designated territories and product lines. During the years ended December 31, 2025 and December 31, 2024, one customer accounted for more than 10% of our revenues. We typically sell our chiller products through our manufacturing representatives with assistance from our internal sales team. Our combined heat and power products are typically sold direct to end customers by our internal sales team.

Markets and Customers

Worldwide, stationary power generation applications vary from huge central stationary generating facilities (traditional electric utility providers) to back-up generators as small as 2 kW. Historically, power generation in most developed countries such as the United States has been part of a regulated central utility system utilizing high-temperature steam turbines powered by fossil-fuels. This turbine technology, though steadily refined over the years, reached a maximum efficiency (where efficiency means electrical energy output per unit of fuel energy input) of approximately 40% to 50%.

Distributed power generation has been successfully implemented by others in large industrial installations over 10 Megawatts ("*MW*"), where the market has been growing for a number of years and is increasingly being accepted in smaller sized units because of technology improvements, increased energy costs, and better economics. We believe that our target market for distributed power generation for users of up to 1 MW, has been barely penetrated and that the reduced reliability of the utility grid and increasing cost pressures experienced by energy users will drive our near-term growth and penetration of this market.

Most potential new customers in the U.S. require less than 1 MW of electric power and less than 1,200 tons of cooling capacity. We are targeting customers in states with high electricity rates in the commercial sector, such as California, Connecticut, Massachusetts, New Hampshire, New Jersey, and New York. Most of these states also have high peak demand rates, which favor utilization of our modular units in groups so as to assure redundancy and peak demand savings.

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Governmental agencies in some of these regions may also provide generous rebates that can improve the economic viability of our systems.

Developments related primarily to the deregulation of the utility industry as well as significant technological advances have broadened the range of power supply choices available to all types of customers. Cogeneration, which harnesses waste energy from power generation processes and puts it to work for other uses on-site, can boost the energy conversion efficiency to nearly 90%, a better than two-fold improvement over the average efficiency of a fossil fuel plant. Generating power at the point of consumption rather than through central plants eliminates the cost, complexity, inefficiency, and risks associated with electric transmission and distribution. The implications of the CHP distributed generation approach are significant. Management believes that if cogeneration were applied on a large scale, global fuel usage might be dramatically curtailed and the utility grid made more resilient.

Our CHP products address inherent inefficiency limitations of central power plants by siting generation closer to the loads being served. This allows customers with energy intensive building or processes to reduce energy costs and operate with a lower carbon footprint. Furthermore, with technology we have introduced, like the Ultera low-emissions technology, our products can now contribute to better air quality at the local level while complying with the strictest air quality regulations in the United States.

Cogeneration and chiller products can often reduce the customer's operating costs (for the portion of the facility loads to which they are applied) by approximately 30% to 60% based on management estimates, which provides an excellent rate of return on the equipment's capital cost in many areas of the country with high electricity rates. Our chillers are especially suited to regions where utilities impose extra charges during times of peak usage, commonly called "demand" charges. In these cases, the gas-fueled chiller reduces the use of electricity during the summer, the costliest time of year.

On-site CHP not only eliminates the loss of electric power during transmission but also offsets the capital expense of upgrading or expanding the utility infrastructure. Decentralizing power generation or reducing energy requirements at a customer's site not only relieves the capacity burden on existing power plants, but also lessens the burden on transmission and distribution lines. This ultimately improves the grid's reliability and reduces the need for costly upgrades.

Traditional markets for CHP systems are buildings with long hours of operation and with corresponding demand for electricity or cooling and heat. Traditional customers for our cogeneration systems include controlled environment agriculture, hospitals, nursing homes, colleges, universities, health clubs, spas, hotels, motels, office and retail buildings, food and beverage processors, multi-unit residential buildings, laundries, ice rinks, swimming pools, factories, municipal buildings, and military installations.

Traditional customers for our chillers, refrigeration compressors and heat pumps overlap with those for our cogeneration systems. Engine-driven chillers are often used as replacements for aging electric chillers because they both occupy similar amounts of floor space and require similar maintenance schedules. This is also the case with refrigeration compressors.

The Inflation Reduction Act of 2022 increased federal tax credits, including the investment tax credit (ITC), to up to thirty percent (30%) of the project cost for projects incorporating certain low emission technologies, including CHP equipment, that began construction before January 1, 2025 and provides for an additional ten percent (10%) credit if the taxpayer satisfies additional requirements relating to domestic content. State and local governments and tax-exempt entities may also benefit from certain tax credits through direct payments or transfers of tax credits to unrelated third parties. This particular new direct pay option is especially impactful given the fact that many ideal facilities for CHP systems are not-for-profit, including many healthcare and hospital facilities, schools and universities, as well as recreation centers. These customers historically have not been able to benefit from previous iterations of the ITC. Under the federal definition for CHP systems, all of our products, including our air-conditioning and cooling models (Teco Chill and Tecofrost) qualify for the tax credit when heat recovery is incorporated into the system design.

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. We believe that these power constrained customers, in particular data centers and industrial facilities, represent a significant new market for growth opportunity.

Competition

The markets for our products are highly competitive, although we believe that we offer customers a suite of premier best-in-class clean energy and thermal solutions.

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InVerde and Tecopower

Our combined heat and power products that produce electricity and hot water compete with the utility grid, existing technologies such as other reciprocating engines and microturbine CHP systems, and other emerging distributed generation technologies including solar power, wind-powered systems, and fuel cells. Our products are highly competitive between 60KW and 1.5MW in electrical generation capacity. In this size range we have other reciprocating engine competitors, although we have strong competitive advantages when it comes to ease of utility interconnection, ease of installation in tight spaces and our microgrid capabilities. We believe that Capstone Turbine Corporation is the only microturbine manufacturer with a commercial presence in CHP.

Although operating solar and wind powered systems produce no emissions, the main drawbacks to these renewable powered systems are their dependence on weather conditions, their need for energy storage systems or reliance on backup utility grid-provided power, and high capital costs that can often make these systems uneconomical without government subsidies. Similarly, while the market for fuel cells is still developing, a number of fuel cell companies are focused on markets similar to ours. Fuel cells, like solar and wind powered systems, have received higher levels of incentives for the same type of applications as CHP systems in many territories. We believe that notwithstanding these higher government incentives our CHP solutions provide a better value and more robust solution to end users in most applications.

Additionally, our patents relating to the Ultera ultra-low emissions technology give our products a strong competitive advantage in markets where severe emissions limits are imposed or where very clean power is favored, such as New Jersey, California, and Massachusetts.

Overall, we compete with end users' other options for electrical power, heating, and cooling on the basis of our technology's ability to:

- Provide a more efficient solution that results in operational savings for a facility's energy needs including cooling, electricity and hot water;
- Provide power when a utility grid is not available or goes out of service;
- Reduce emissions of criteria pollutants (NO_x and CO) to near-zero levels and cut the emission of greenhouse gases such as carbon dioxide due to increased efficiencies compared to the electric grid; and
- Provide reliable on-site power generation, heating and cooling services.

We believe that no other company has developed a product that provides the features and benefits provided by our inverter-based InVerde e+, which offers UL-certified grid connection and sophisticated off-grid and microgrid capabilities. An inverter-based product with at least some of these features has been introduced by others, but we believe that they face serious challenges in duplicating all the unique features of the InVerde e+. Competitors' product development time and costs could be significant. We have exclusive license rights to Microgrid algorithms developed by the University of Wisconsin researchers through July 26, 2027. We have exclusive rights for engine-driven systems utilizing natural gas or diesel fuel in the application of power generation where the per-unit output is less than 500kW. The software allows our products to be integrated as a Microgrid, where multiple InVerde e+ units can be seamlessly isolated from the main utility grid in the event of an outage and re-connected to it afterward. We expect that our patents and license for Microgrid software will deter others from offering certain important functions. See "*Business-Intellectual Property.*"

Similarly, in the growing Microgrid segment, neither fuel cells nor microturbines can respond to changing energy loads when the system is disconnected from the utility grid. Engines such as those used in our equipment inherently have a fast-dynamic response to step load changes, which is why they are the primary choice for emergency generators. Fuel cells and microturbines require additional energy storage systems to be utilized for time-limited off-grid operation, giving our engine-driven solutions an advantage for Microgrid and resiliency applications.

Tecochill Chillers

Our Tecochill line of chillers are the only gas-engine-driven chillers available on the market. Natural gas can also fuel absorption chillers, which use fluids to transfer heat without an engine drive. However, engine driven chillers continue to have an efficiency advantage over absorption machines. Tecochill chillers reach efficiencies well above levels achieved by similarly sized absorption systems. Low natural gas prices in the United States improve the economics of natural gas-fueled chillers while their minimal electric demand on backup power systems make them ideal for facilities requiring critical precision climate control. In 2023, we expanded our Tecochill range of products with the introduction of a hybrid air-cooled chiller based on the inverter design used in the InVerde. The hybrid-drive air-cooled chiller will take simultaneous inputs from the electrical grid and the natural gas engine so that it can operate with the lowest cost and/or greenhouse gas footprint at any time based on changing conditions. We began deliveries of our hybrid air cooled chiller in the first half of fiscal 2025.

Research & Development

Our long and rich research and development tradition and sustained programs have allowed us to cultivate deep engineering expertise. We have strong core technical knowledge that is critical to product support and continuous product improvement efforts. Our TecoDrive engine, permanent magnet generator, cogeneration and chiller products, InVerde, pumps, Ultra emissions control system, and our hybrid-drive air-cooled chiller were all created and optimized in-house with support from third-parties.

We continue to seek alliances with utilities, government agencies, universities, research facilities, and manufacturers. We have succeeded in developing new technologies and products in collaboration with several entities, including:

- Sacramento Municipal Utility District has provided test sites to us since 2010.
- Southern California Gas Company and San Diego Gas & Electric Company, each a Sempra Energy subsidiary, have granted us research and development contracts beginning in 2004.
- Department of Energy's Lawrence Berkeley National Laboratory, with whom we have had research and development contracts beginning in 2005, including ongoing Microgrid development work related to the InVerde.
- Eastern Municipal Water District in Southern California has co-sponsored demonstration projects to retrofit both a natural-gas powered municipal water pump engine and a biofuel powered pumping station engine with the Ultra low emissions technology beginning in 2012.
- Consortium for Electric Reliability Technology Solutions executed research and development contracts with us, and has provided a test site to us beginning in 2005.
- California Energy Commission with whom we had a research and development contract from 2004 until March 2013.
- The AVL California Technology Center performed a support role in research and development contracts as well as internal research and development on our Ultra emission control system from August 2009 to November 2011. In addition, the Center supported our research on emissions from gasoline vehicles from January of 2016 through October 2017. AVL researchers collaborated with our engineers on several peer reviewed papers published by technology association SAE International in 2017 and 2018.

Also, we continue to leverage our resources with government and industry funding, which has yielded a number of successful developments, including the Ultra low-emissions technology, sponsored by the California Energy Commission and Southern California Gas Company. Pursuant to the terms of the grants from the California Energy Commission, the California Energy Commission has a royalty-free, perpetual, non-exclusive license to these technologies for government purposes.

Our current internal R&D efforts are focused on the hybrid-drive air-cooled chiller that utilizes the basic inverter design used in the InVerde e+. Management believes that this chiller will address a significant market segment that is currently not addressed by our existing Tecochill product. For the years ended December 31, 2025 and 2024, we spent \$1,166,744 and \$961,837, respectively, on research and development activities.

Intellectual Property

As of December 31, 2025 we hold the following United States patents for our technologies. The patents expire between 2026 and 2042:

- 11,936,327: "Hybrid Power System With Electric Generator and Auxiliary Power Source." This patent, granted in March 2024, pertains to joining two power sources to optimize power use from the grid or another source by way of a proprietary DC-DC voltage converter, inverter and controller circuits.
- 10,774,724: "Dual Stage Internal Combustion Engine Aftertreatment System Using Exhaust Gas Intercooling and Charger Driven Air Ejector." This patent, granted in September 2020, relates to the use of turbo compressors and exhaust gas intercoolers in turbocharged engines to reduce the complexity and cost of Ultra emissions reduction systems.
- 10,774,720: "NOx Reduction Without Urea Using a Dual-Stage Catalyst System with Intercooling in Vehicle Gasoline Engines." This patent, granted in September 2020, improves the removal of Non-Methane Organic Gases (NMOG) and Carbon Monoxide (CO) from vehicle emissions. The improved performance, consisting of up to 90% reductions

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in NMOG and CO results from increased oxidation of NMOG and CO due to a lower temperature environment in the second stage catalyst.

- 9,995,195: "Emissions control systems and methods for vehicles." This patent, granted in June 2018, is a method for vehicle cold start to enhance the removal of CO and hydrocarbons emissions, which are extremely problematic for cold engines. Air is injected in the exhaust between the engine's close-coupled catalyst and underbody catalyst. Once the engine is warmed (> 500 F exhaust) this air stream is shut off. This method synergizes well with the Ultera system by utilizing the injection air feed for an alternative purpose during engine start.
- 9,956,526: "Poison-Resistant Catalyst and Systems Containing Same." This patent, granted in May 2018, relates to a special catalyst formulation that is resistant to contaminant induced corrosion in conditions like those of the Ultera second stage. These poisons or contaminants are most commonly sulfur compounds.
- 9,856,767: "Systems and methods for reducing emissions in exhaust of vehicles and producing electricity." This patent, filed in November 2015 and published in March 2016, relates to the development of the Ultera emission control system for vehicle applications.
- 9,631,534: "Assembly and Method for reducing nitrogen oxides, carbon monoxide, hydrocarbons and hydrocarbon gas in exhausts of internal combustion engines and producing and electrical output." This patent granted in April 2017, is related to the Ultera emission control system applicable to all our products.
- 9,470,126: "Assembly and method for reducing ammonia in exhaust of internal combustion engines." This patent, granted in October 2016, is related to the Ultera emission control system applicable to all our products.
- 9,121,326: "Assembly and method for reducing nitrogen oxides, carbon monoxide and hydrocarbons in exhausts of internal combustion engines." This patent, granted in September 2015, is related to the Ultera emission control system applicable to all our products.
- 8,578,704: "Assembly and method for reducing nitrogen oxides, carbon monoxide, and hydrocarbons in exhausts of internal combustion engines." This patent, granted in November 2013, is for the Ultera emission control system applicable to all our products.
- 7,243,017: "Method for controlling internal combustion engine emissions." This patent, granted in July 2007, applies to the specific algorithms used in our engine controller for metering fuel usage to obtain the correct combustion mixture and is technology used by most of our engines.
- 7,239,034: "Engine driven power inverter system with cogeneration." This patent granted in July 2007, pertains to the utilization of an engine-driven CHP module combined with an inverter and applies to our InVerde product specifically.

In addition, we have licensed specific rights to Microgrid software algorithms developed by University of Wisconsin researchers for which we pay royalties to the assignee, The Wisconsin Alumni Research Foundation (WARF). Pursuant to U.S. Patent 7,687,937, titled "Control of Small Distributed Energy Resources", granted in 2010 and expires on July 26, 2027. Our exclusive rights are for engine-driven systems utilizing natural gas or diesel fuel in the application of power generation where the per-unit output is less than 500 kW. The software allows our products to be integrated as a Microgrid, where multiple InVerde units can be seamlessly isolated from the main utility grid in the event of an outage and re-connected to it afterward. The licensed software allows us to implement such a Microgrid with minimal control devices and associated complexity and cost. We consider the Microgrid software algorithm licensed from WARF to be a key feature of our InVerde product, and one that would be difficult to duplicate outside the patent. We pay WARF a royalty for each cogeneration module sold using the licensed technology. Such royalty payments have been in the range of \$5,000 to \$15,000 on an annual basis through the year ended December 31, 2025. WARF has reserved the right to grant non-profit research institutions and governmental agencies non-exclusive licenses to practice and use, for non-commercial research purposes, the technology developed by us that is based on the licensed software.

One other company has developed a product that seeks to compete with our inverter-based InVerde, although it does not offer all of the same benefits and features offered by our InVerde products. We anticipate that an inverter-based product with at least some of the features offered by our InVerde products will be introduced by others, but we believe that our competitors will face serious challenges in duplicating the InVerde and that product development time and costs would likely be significant.

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We consider our patents and licensed intellectual property to be important in the operation of our business. The expiration, termination, or invalidity of one or more of these patents may have a material adverse effect on our business.

Copyrights

Our control software is protected by copyright laws or through an exclusive license agreement.

Trademarks

We have registered the brand names of our equipment and logos used on our equipment. These registered and pending trademarks include Tecogen, Tecochill, Tecopower, Ultera, InVerde, InVerde e+ and the associated logos. We will continue to trademark our product names and symbols.

We rely on treatment of our technology as trade secrets through confidentiality agreements, which our employees and vendors are required to sign. Also, we rely on non-disclosure agreements with others that have or may have access to confidential information to protect our trade secrets and proprietary knowledge.

Sourcing & Manufacturing

We are focused on continuously strengthening our manufacturing processes and increasing operational efficiencies. Many of the components used in the manufacture of our highly-efficient clean energy equipment are readily fabricated from commonly available raw materials or are standard available parts sourced from multiple suppliers. We believe that adequate supplies exist to meet our near-to-medium-term manufacturing needs. However, certain of the components used in the manufacture of our engine driven power inverter systems contain rare-earth minerals and are currently sole-sourced from a supplier in China. We have an on-going focus on developing and implementing new systems to simplify our manufacturing processes, product sourcing methods, and our supply chain.

Properties

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. In April, 2024, we relocated our manufacturing operations and corporate offices to 76 Treble Cove Road, North Billerica, MA. We have a total of approximately 21,000 square feet of manufacturing and warehouse space at the North Billerica, Massachusetts facility. The lease agreements which commenced on January 1, 2024, provide for initial lease terms of five (5) years, expiring on December 31, 2028, with two successive options to renew for additional terms of five (5) years. See Item 2. "Properties"

Government Regulation

Our business operations are subject to various federal, state and local government regulations which affect our products and services, including but not exclusive to:

- product safety certifications and interconnection requirements;
- air pollution regulations which govern the emissions allowed in engine exhaust;
- state and federal incentives for CHP technology;
- various local building and permitting codes and third-party certifications;
- electric utility pricing and related regulations; and
- federal and state laws regarding the legalization of cannabis for medicinal and recreational use.

Our markets can be positively or negatively impacted by the effects of governmental and regulatory matters. We are impacted not only by energy policy, laws, regulations and incentives of governments in the markets in which we sell, but also by rules, regulations and costs imposed by utilities. Utility companies or governmental entities may place barriers on the installation or interconnection of our products with the electric grid. Further, utility companies may charge additional fees to customers who install on-site power generation to reduce the electricity they take from the utility and to preserve electric capacity available from the grid for back-up or standby purposes. These types of restrictions, fees or charges could hamper the ability to install or effectively use our product or increase the cost to our potential customers for using our systems. This could make our systems less desirable, adversely impacting our revenue and profitability. In addition, utility rate reductions can make our products less competitive, causing a material adverse effect on our operations. These costs, incentives and rules are not always the same as those faced by technologies with which we compete.

Similarly, rules, regulations, laws and incentives could also provide an advantage to our distributed generation solutions as compared with competing technologies because they enable compliance in a lower cost, more efficient manner with reduced emissions and higher fuel efficiency which helps our customers combat the effects of global warming. We may benefit

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from increased government regulations that impose tighter emission and fuel efficiency standards. We encourage investors and potential investors to carefully consider the risks described under "Item 1A. Risk Factors" below regarding various aspects of the regulatory environment and other related risks.

Our products are well-suited to meet the needs of the rapidly emerging indoor agriculture market, including cannabis and other high volume leafy greens. To date our focus in the indoor agricultural market has primarily involved cannabis, a product with high revenue generating potential. However, we have sold to other indoor agricultural growers, and we believe that the indoor food production market may provide significant opportunities for us. The indoor agriculture market in particular has the potential to be a significant driver of growth as states move to legalize the use of cannabis for medicinal purposes and recreational use. However, under the Controlled Substances Act (CSA) cannabis continues to be categorized as a Schedule I drug, so that cannabis growers continue to face significant uncertainty regarding their ability to conduct business.

First passed by Congress in 2014, the Rohracher-Farr Amendment is an amendment to the annual appropriations bill that, among other things, funds the Department of Justice. It prohibits the US Attorney General from using funds to prosecute the medical use of cannabis. It does not address recreational use. On January 4, 2018, US Attorney General Jeff Sessions rescinded the Cole memo. Written in 2013, the Cole memo had directed US Attorneys not to allocate resources to prosecute "individuals whose actions are in clear and unambiguous compliance with existing state laws" regarding the cannabis market. As of the date of the filing of this report, we are not aware of any US Attorney who has taken action against participants in the recreational cannabis market operating in accordance with state law. The uncertainty we face regarding the potential for growth from the sales to the cannabis industry is due in part to uncertainty regarding prosecutorial priorities of the current Presidential administration as well as the ability of cannabis growers to obtain funding in an environment where national bankers are not permitted to fund cannabis growth facilities.

Our Energy Production segment is subject to extensive government regulation. We are required to file for local construction permits (electrical, mechanical and the like) and utility interconnects, and are required to make various local and state filings related to environmental emissions.

In the past, many electric utility companies have raised opposition to distributed generation of energy, a critical element of our business model. Such resistance has generally taken the form of stringent standards for interconnection and the use of target rate structures as disincentives to combined generation of on-site power and heating or cooling services. A distributed generation facility's ability to obtain reliable and affordable back-up power through interconnection with the grid is essential to our business model. Utility policies and regulations in most states often do not accommodate widespread on-site generation. Barriers erected by electric utility companies and unfavorable regulations, where applicable, make our ability to connect to the electric grid at customer sites more difficult or uneconomic and is an impediment to the growth of our business. The development of our business could be adversely affected by any slowdown or reversal in the utility deregulation process or by difficulties in negotiating back-up power supply agreements with electric providers in the areas where we seek to do business.

Environmental Matters

We are regulated by federal, state and international environmental laws governing our use, transport and disposal of substances and control of emissions. In addition to governing our manufacturing and service operations, these laws often impact the development of our products, including, but not limited to, required compliance with air emissions standards applicable to internal combustion engines. We have made, and will continue to make, the necessary research and development and capital expenditures to comply with these emissions standards.

Seasonality

We expect that the majority of our heating systems sales will be operational for the winter and the majority of our chilling systems sales will be operational for the summer. Our cogeneration sales are not generally affected by the seasons. Our service team experiences higher demand in the warmer months when cooling is required. Chiller units for space conditioning applications are generally shut down in the winter and started up again in the spring. This chiller "busy season" for the service team generally runs from May through the end of September. Chillers in indoor cultivation and other process cooling applications run year round.

Human Capital Resources

We believe our success in delivering energy efficient, ultra clean cogeneration systems, chillers and energy production services relies on our culture, values, and the creativity and commitment of our people. We strive to maintain healthy, safe, and secure working conditions and a workplace where our employees are treated with respect and dignity. Our vision is to create an inclusive, diverse and authentic community that inspires collaboration, integrity, engagement, and innovation. We are striving to create employee experience that offers opportunity for personal and professional growth, and enables work-life balance that aligns with our core values.

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Employees

As of December 31, 2025, we employed 119 full-time employees and 1 part-time employee, including 4 sales and marketing personnel, 83 service personnel, 24 manufacturing personnel and 9 finance and administrative personnel. Thirteen of our New Jersey service employees are represented by a collective bargaining agreement which expires on December 31, 2026 and thereafter renews annually unless terminated by either party by written notice within sixty days prior to the expiration date.

Employee Health and Safety

Employee health and safety continues to be a priority in every aspect of our business. We have taken a common-sense approach to safety that helps us understand and reduce hazards in our business. Training, risk assessment, safety coaching, and employee engagement are all programs that help us consistently manage our facility and employee safety. As resources are available, we expect to continue to expand and evolve our safety programs to better meet our employee needs and workplace conditions as our business grows.

We understand the benefits of employee health and safety and continue to invest in programs, products, and resources. We also continue to invest in products and services to meet the health and safety needs of our customers and communities.

Talent Acquisition and Development

Our values are integral to our employment process and serve as guideposts for leadership. The ultimate goal is straightforward: find great people, ask them to join, and give them a reason to stay. Reasons include fair compensation, a complete array of employee benefits including: health, dental and life insurance; short-term and long-term disability insurance; HSA account funding; generous time off benefits; and the grant of options or awards to purchase shares of our common stock. We use web-based training for all of our employees.

Working Capital Requirements

Our ability to maintain sufficient working capital is highly dependent upon achieving expected operating results and cash flows. Failure to achieve the operating results could have a material adverse effect on our working capital, our ability to obtain financing, and our operations in the future.

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles 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 December 31, 2025, our cash and cash equivalents were \$12,430,287, compared to \$5,405,233 at December 31, 2024, an increase of \$7,025,054. For the year ended December 31, 2025 we used \$9,911,674 in cash from operations and net operating losses of \$8,244,830, due to a decrease in our service gross margins, increased operating expenses and the impairment of goodwill and long-lived assets. Working capital at December 31, 2025 was \$19,618,132, compared to \$5,329,650 at December 31, 2024, an increase of \$14,288,482, which is due to the July 21, 2025 follow-on equity financing, and our accumulated deficit was \$55,888,649.

Our backlog at December 31, 2025 was \$2,522,231 compared to \$12,336,248 as of December 31, 2024. Our backlog at December 31, 2024 included an order for several chillers which were shipped in 2025 and orders for several cogeneration systems that shipped in the first quarter of 2025 to customers seeking tax credits under the Inflation Reduction Act of 2022.

At December 31, 2024, our obligation under loans from certain related parties was \$1,548,872 (see Note 11. "Related Party Notes") which were used to finance our facilities' move to North Billerica, Massachusetts, continued development of the hybrid-drive air-cooled chiller product, and marketing expenses associated with identifying opportunities in the data center market. The related party notes were repaid in full or converted to shares of our common stock in the year ended December 31, 2025.

Based on management's analysis, we believe that our working capital and cash flows from operations will be sufficient to fund our operations over the next twelve months.

Our liquidity and cash flows are discussed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Available Information

Our internet website address is <http://www.tecogen.com>. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and filings with the SEC are available free of charge on our website as soon as reasonably practicable after the reports are filed with, or furnished to, the SEC. Information contained on our website is not incorporated by reference into this Annual Report on Form 10-K or our other securities filings with the SEC. The SEC maintains an internet website at www.sec.gov which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors

Our business operations, financial condition, results of operations and stock price may be affected by a number of factors. In addition to the other information in this Annual Report on Form 10-K, the following factors and the information contained under the heading "Cautionary Note Concerning Forward-Looking Statements" should be considered in evaluating our company and our business. The risks described below may not be the only risks we face. Additional risks that we do not yet know of, or that we currently think are immaterial, may also impair our business operations or financial results. If any of the events or circumstances described in the following risk factors occur, our business, financial condition and results of operations could suffer and the trading price of our common stock could decline.

Risks Relating to Our Business and Financial Condition

Our operating history is characterized by net losses. There can be no assurance we will be able to increase our revenues and become profitable in the future.

We have historically incurred net losses, including net loss of \$8,248,755 in 2025 and a net loss of \$4,760,238 in 2024. We have an accumulated deficit as of December 31, 2025 of \$55,888,649 and working capital of \$19,618,132. Our business is capital intensive and, because our products generally 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.

We are dependent on a limited number of third-party suppliers for the supply of key components for our products.

We use third-party suppliers for components in all of our products. Our engines and generators required in our cogeneration products (other than the InVerde), and the compressor and vessel sets in our chillers, are all purchased from large multinational equipment manufacturers. The loss of one or more of our suppliers could materially and adversely affect our business if we are unable to replace them. While alternate suppliers for the manufacture of our engine, generators and compressors have been identified should the need arise, there can be no assurance that alternate suppliers will be available and able to provide such items on acceptable terms or on a timely basis.

From time to time, shipments of components for our products can be delayed because of industry-wide or other shortages of necessary materials and components from third-party suppliers, as well as shipping delays at points of importation. A supplier's failure to supply components in a timely manner, or to supply components that meet our quality, quantity, or cost requirements, or our inability to obtain substitute sources of these components on a timely basis or on terms acceptable to us, could impair our ability to deliver our products in accordance with contractual obligations.

We depend on a small number of customers for a substantial portion of our product revenues. The loss of one or more of these customers, or our inability to collect outstanding receivables from such customers could have a material adverse effect on our financial results.

Although we are seeking to increase and diversify our customer base and reduce our reliance upon sales to a small number of customers, we expect sales to such customers to continue to constitute a significant portion of our revenues in the near term because we actively pursue large contracts and projects. The loss of any one or more of such customers or an inability to collect resulting accounts receivables could have a material adverse effect our business, financial condition and results of operations.

For the year ended December 31, 2025 one customer represented more than 10% of our revenue. No customer represented more than 10% of our revenue for the year ended December 31, 2024. One customer represented 11% of our accounts receivable balance as of December 31, 2025, and one customer represented 14% of our accounts receivable balance as of December 31, 2024. The loss of any one or more of our major customers or our inability to collect outstanding accounts receivable from one or more of these customers could have a material adverse effect on our business and financial condition. Our provision for credit losses decreased to \$62,958 in the year ended December 31, 2025, compared to \$146,010 in the year ended December 31, 2024, due to the write down of certain install receivables which were deemed uncollectible in the year ended December 31, 2024. Our allowance for credit losses increased \$93,147 to \$389,079 in the year ended December 31, 2025, compared to the year ended December 31, 2024.

The amount of our backlog is subject to fluctuation due to our customers' experiencing unexpected delays in financing, permitting, or modifications in specifications of the equipment.

Our backlog as of December 31, 2025 was \$2,522,231 compared to \$12,336,248 as of December 31, 2024. Our backlog at December 31, 2024 included an order for several chillers which were shipped in 2025 and orders for our several cogeneration systems that shipped in the first quarter of 2025 to customers seeking tax credits under the Inflation Reduction Act of 2022. Although we expect our customers to issue definitive purchase orders with respect to such backlog, there can be no

assurance that such amounts will not be subject to modification in the event customers experience unexpected delays in obtaining permits, interconnection agreements, or financing. We have experienced order delays and deferrals for our products due to business closures or the inability to obtain government issued permits to conduct product installations. Any of such events may result in customers modifying the equipment or the terms or timing of the expected installation, which may result in changes to the amount of backlog attributed to those projects.

We experience significant fluctuations in revenues and product mix from quarter to quarter on our product sales which may make period to period comparisons difficult.

We have low volume, high dollar sales for projects that are generally non-recurring, and therefore our sales have fluctuated significantly from period to period. Fluctuations cannot be predicted because they are affected by the purchasing decisions and timing requirements of our customers, which are unpredictable. Such fluctuations may make quarter to quarter and year to year comparisons difficult.

We expect significant competition for our products and services.

Many of our competitors and potential competitors are well established and have substantially greater financial, research and development, technical, manufacturing, and marketing resources than we do. If these larger competitors decide to focus on the development of distributed power or cogeneration, they have the manufacturing, marketing, and sales capabilities to complete research, development, and commercialization of these products more quickly and effectively than we can. There can also be no assurance that current and future competitors will not develop new or enhanced technologies or more cost-effective systems, and therefore, there can be no assurance that we will be successful in this competitive environment.

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

We may need to reduce the unit production cost of our products over time to maintain our ability to offer competitively priced products. Our ability to achieve cost reductions will depend on our ability to develop low-cost design enhancements, to obtain necessary tooling and favorable supplier contracts, and to increase sales volumes so we can achieve economies of scale. We can make no assurance that we will be able to achieve any such production cost reductions. Our failure to do so could have a material adverse effect on our business and results of operations.

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

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

The economic viability of our projects depends on the price spread between natural gas and other fuel and electricity, and the variability of these prices creates a risk that our projects will not be economically viable and that potential customers will avoid such energy price risks.

The economic viability of our CHP products depends on the spread between natural gas fuel and electricity prices. Volatility in one component of the spread, such as the cost of natural gas and other fuels (e.g., propane or distillate oil), can be managed to some extent by means of futures contracts. However, the regional rates charged for both base load and peak electricity may decline periodically due to excess generating capacity or general economic recessions, and both the cost of natural gas and the cost of electricity for base load and peak load may be adversely affected by market forces and geopolitical disruptions such as Russian expansion into the Ukraine and the conflict in the Middle East and political and other responses to such activity.

Our products and on-site utility service could become less competitive if electric rates were to fall substantially in the future, although, historically, electric rates have not experienced any sustained decline in price. Potential customers may perceive the risk of unpredictable swings in natural gas and electricity prices as a risk of investing in on-site CHP, and may decide not to purchase CHP products.

We may make acquisitions or take other corporate strategic actions that could harm our financial performance.

To expedite the development of our business, including with regard to equipment installation and service functions, we anticipate investigating and potentially pursuing future acquisitions of complementary businesses, and may engage in discussions with respect to possible acquisitions, sale of assets, business combinations, and joint ventures intended to complement or expand our business, some of which may be significant transactions for us. Regardless of whether we consummate any such transaction, the negotiation of a potential transaction could require us to incur significant costs, including as a result of professional fees and due diligence efforts, and cause diversion of management's time and resources. In addition, we may be unable to identify suitable acquisition or strategic investment opportunities or may be unable to obtain any required financing or regulatory approvals and therefore may be unable to complete such acquisitions or strategic investments on favorable terms, if at all. We may decide to pursue acquisitions with which our investors may not agree, and we cannot assure investors that any acquisition or investment will be successful or otherwise provide a favorable return on investment. In addition, acquisitions and the integration thereof require significant time and resources and place significant demands on our management, as well as on our operational and financial infrastructure. If we fail to successfully close transactions or integrate new teams, or integrate the products and technologies associated with these acquisitions into our company, our business could be seriously harmed. In addition, acquisitions may expose us to operational challenges and risks, including:

- the ability to profitably manage acquired businesses or successfully integrate the acquired businesses' operations, personnel, financial reporting, accounting and internal controls, technologies and products into the our business;
- increased indebtedness and the expense of integrating acquired businesses, including significant administrative, operational, economic, geographic or cultural challenges in managing and integrating the expanded or combined operations;
- entry into jurisdictions or acquisition of products or technologies with which we have limited or no prior experience, and the potential of increased competition with new or existing competitors as a result of such acquisitions;
- diversion of management's attention and the over-extension of our operating infrastructure and our management systems, information technology systems, and internal controls and procedures, which may be inadequate to support growth;
- the ability to fund our capital needs and any cash flow shortages that may occur if anticipated revenue is not realized or is delayed, whether by general economic or market conditions, or unforeseen internal difficulties; and
- the ability to retain or hire qualified personnel required for expanded operations.

Our acquisition strategy may not succeed if we are unable to remain attractive to target companies or expeditiously close transactions. Issuing securities to fund an acquisition would cause dilution to existing shareholders. If we develop a reputation for being a difficult acquirer or target companies view our shares unfavorably, we may be unable to consummate key acquisition transactions essential to our corporate strategy and our business may be seriously harmed.

In addition, integrating any business that we acquire may be distracting to our management and disruptive to our business and may result in significant costs to us. We could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations. Any such transaction could also result in the impairment of goodwill and other intangibles, development write-offs and other related expenses. Any of the foregoing could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Expiring customer contracts may lead to decreases in revenue and increases in expenses.

Each year, a portion of our customer contracts expire and need to be renewed or replaced. We may not be able to renew or extend contracts with existing customers or obtain replacement contracts at attractive rates or for the same term as the expiring contracts. To the extent we are unable to extend customer contracts prior to their expiration dates, energy production revenue will decline due to decreased billing for maintenance services and energy production. Expiring customer contracts can also lead to an increase in expenses because we are obligated to remove the equipment from the customer location at our own expense at the end of the customer contract. The investment required to obtain replacement contracts, including the manufacture and installation of the cogeneration or chiller equipment and the costs to incorporate this equipment into a facility are significant. To the extent that we do not have sufficient liquidity, our ability to add new contracts with energy production sites may be adversely impacted.

Our revenue from energy billing may be adversely impacted by increases in the price of natural gas, reductions in utility rates for electrical power, weather conditions, or by an increase in remote work and study environments, all of which could reduce our revenue.

Over the past several years electric rates have fluctuated, and in some instances rates have decreased, subsequent to customer contract dates, causing the billable value of the electrical power generated by our systems to decrease which has an adverse effect on our results of operations. In warmer months the customers do not use as much thermal energy because they do not have as much demand for heat at their locations. Due to lower demand in warmer months, our revenue from thermal energy billing during those periods. In addition, increases in the cost of natural gas may increase the cost of power generation in comparison to the cost of power from the electric grid, and may result in decreased revenue and adversely affect our results of operation.

We may be affected by global climate change or by legal, regulatory, or market responses to such change.

The growing political and scientific sentiment is that global weather patterns are being influenced by increased levels of greenhouse gases in the earth's atmosphere. This growing sentiment and the concern over climate change have led to legislative and regulatory initiatives aimed at reducing greenhouse gas emissions which warm the earth's atmosphere. These warmer weather conditions could result in a decrease in demand for our products in general. Moreover, proposals that would impose mandatory requirements on greenhouse gas emissions continue to be considered by policy makers in the United States. Laws enacted that could impact demand for the products we sell could adversely affect our business, financial condition, results of operations and cash flows. Significant increases in federal, state or municipal restrictions on emissions of carbon dioxide that may be imposed on gas-driven cogeneration and chillers could adversely affect demand for our product. Our inability to respond to such changes could adversely impact the demand for our products and our business, financial condition, results of operations or cash flows.

Our financial condition and results of operations could suffer if there is an impairment of goodwill or intangible assets.

We are required to test intangible assets with indefinite lives, including goodwill, annually or, in certain instances, more frequently, and may be required to record impairment charges, which would reduce any earnings or increase any loss for the period in which the impairment was determined to have occurred. Our goodwill impairment analysis is sensitive to changes in key assumptions used in our analysis. If the assumptions used in our analysis are not realized, it is possible that an impairment charge may need to be recorded in the future. We cannot accurately predict the amount and timing of any impairment of goodwill or other intangible assets. However, any such impairment would have an adverse effect on our results of operations.

As of December 31, 2025, our goodwill was \$1,248,442, and our intangible assets were \$2,146,503. We performed a goodwill impairment test at December 31, 2025, and determined that the carrying value of our energy production business assets exceeded the estimated fair value of the energy production business assets based on a discounted cash flow analysis, and we recognized goodwill and long-lived asset impairment relating to our energy production and product segments of \$1,098,124 for the year ended December 31, 2025. The fair value of the Aegis maintenance service contracts based on a discounted cash flow analysis exceeded the carrying value of the assets, and we did not recognize goodwill impairment relating to our services segment for the year ended December 31, 2025.

Increased costs of labor and employee health and welfare benefits may impact our results of operations.

Labor is a primary component in the cost of operating our business. Increased labor costs, due to competition, inflationary pressures, increased federal, state, local or foreign minimum wage requirements and increased employee benefit costs, including health care costs and social security benefits, could adversely impact our operating expenses. Because payroll costs are a major component of the operating expenses, a shortage of skilled labor could require higher wages that would increase labor costs, which could adversely affect our results of operations and cash flows.

We are dependent on the continued contributions of our senior management and other key employees, and the loss of any of whom could adversely affect our business, operating results, and financial condition.

Our future performance depends on the continued contributions of our senior management, including our Chief Executive Officer, Abinand Rangesh, our President and Chief Operating Officer, Robert Panora, our Chief Financial Officer, Roger Deschenes, and other key employees, to execute on our business plan, develop new products and services, source new customers, and enter into new partnerships. In addition, our success, in part, depends on our ability to attract and retain qualified member of our board and our board committees. The failure to properly manage succession plans or the loss of services of senior management, other key employees or members of our board could significantly delay or prevent the achievement of our strategic objectives. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. We do not currently maintain key person life insurance policies on any of our employees. The loss of the services of one or more of our senior management or other key employees for any reason could adversely affect our business, financial condition, and operating results, and require significant amounts of time, training, and resources to recruit suitable replacements and integrate them within our business and could affect our corporate culture.

Risks Related to Our Technologies

If we are unable to maintain our technological expertise in design and manufacturing processes, we will not be able to successfully compete.

We believe that our future success will depend upon our ability to continue to develop and provide innovative products and product enhancements that meet the increasingly sophisticated needs of our customers. However, this requires that we successfully anticipate and respond to technological changes in design and manufacturing processes in a cost-effective and timely manner. The development of new, technologically advanced products and enhancements is a complex and uncertain process requiring high levels of innovation, as well as the accurate anticipation of technological and market trends. There can be no assurance that we will successfully identify new product opportunities, develop and bring new or enhanced products to market in a timely manner, successfully lower costs, and achieve market acceptance of our products, or that products and technologies developed by others will not render our products or technologies obsolete or noncompetitive.

The introduction of products embodying new technologies and the shifting of customer demands or changing industry standards could render our existing products obsolete and unmarketable. We may experience delays in releasing new products and product enhancements in the future. Material delays in introducing new products or product enhancements may cause customers to forego purchases of our products and purchase products offered by our competitors.

Legal, Regulatory and Compliance Risks

Our business is subject to product liability and warranty claims.

Our business exposes us to potential product liability claims, which are inherent in the manufacturing, marketing and sale of our products, and we may face substantial liability for damages resulting from the faulty design, manufacture, or improper use of products by end users. We currently maintain product liability insurance, but there can be no assurance that this insurance will provide sufficient coverage in the event of a claim. Also, we cannot predict whether we will be able to maintain such coverage on acceptable terms, if at all, or that a product liability claim would not harm our business or financial condition. In addition, negative publicity in connection with the faulty design or manufacture of our products would adversely affect our ability to market and sell our products.

We sell our products with limited warranties. There can be no assurance that the provision in our financial statements for estimated product warranty expense will be sufficient. There can be no assurance that our efforts to reduce our risk through warranty disclaimers will effectively limit our liability. Any significant occurrence of warranty expense in excess of estimates could have a material adverse effect on our operating results, financial condition and cash flow. Further, we have at times undertaken programs to enhance the performance of units previously sold. These enhancements have at times been provided at no cost or below our cost. If we offer such programs in the future, such actions could result in significant costs.

Changes in regulations applicable to our businesses may impair the profitability of our businesses, and our failure to comply with applicable laws and regulations may increase our costs, reduce our earnings or limit our growth.

We may be required to incur costs to comply with regulatory requirements, such as those relating to employment practices, environmental requirements, and other regulatory matters, and the costs of compliance, investigation, remediation, litigation, and resolution of regulatory matters could be substantial. We are subject to extensive federal and state employment laws and regulations, including wage and hour laws and other pay practices and employee record-keeping requirements. We may periodically have to defend against lawsuits asserting non-compliance. Such lawsuits can be costly, time consuming and distract management, and adverse rulings in these types of claims could negatively affect our businesses, financial condition or results.

In addition, we are subject to audit or review by federal or state regulatory authorities as a result of applying for and obtaining a Paycheck Protection Program loan pursuant to the Coronavirus Aid, Relief and Economic Security Act, and for obtaining forgiveness of the loan. If we were to be audited or reviewed and receive an adverse determination or finding in such an audit or review, we could be required to return or repay the full amount of the applicable loan and could be subject to fines or penalties, which could reduce our liquidity and adversely affect our business, financial condition and results of operations.

Changes in any of these regulations or regulatory activities in any of these areas, or others, may require us to spend additional amounts to comply with the regulations, or may restrict our ability to offer products and services in ways that are profitable.

Agreements with our customers may include potential liquidated damages relating to construction delays or performance guaranties.

Construction contracts involving our products may contain liquidated damages provisions resulting from failure to achieve agreed milestones relating to construction activity. Agreements relating to the sale of equipment or energy may include performance and other obligations that may result in payment obligations to customers.

Utilities or governmental entities could hinder our entry into and growth in the marketplace, and we may not be able to effectively sell our products.

Utilities or governmental entities on occasion have placed barriers to the installation of our products or their interconnection with the electric grid, and they may continue to do so. Utilities may charge additional fees to customers who install on-site CHP and rely on the grid for back-up power. These types of restrictions, fees, or charges could make it harder for customers to install our products or use them effectively, as well as increase costs to potential customers. This could make our systems less desirable, thereby adversely affecting our revenue and other operating results.

The reduction, elimination or expiration of government and economic incentives for applications of our equipment could reduce demand for our equipment and harm our business.

The market for cogeneration equipment depends in part on the availability and size of government and economic incentives that vary by geographic market. Because our sales to customers are typically into geographic areas with such incentives, elimination, or expiration of government subsidies and economic incentives for cogeneration equipment may negatively affect the competitiveness of our equipment relative to other sources of electricity, heating, and cooling equipment, and could harm or halt the growth of the cogeneration industry and our business.

We may incorporate price reductions on equipment sold to customers based on the anticipated receipt of governmental economic incentive payments and apply and collect the incentives payments. If such incentives become unavailable to us our financial condition may be adversely affected.

Competing sources of electricity, heating, and cooling equipment may successfully lobby for changes in the relevant legislation in their markets that are harmful to the cogeneration industry. Reductions in, or eliminations or expirations of, governmental incentives in regions where we focus our sales efforts could result in decreased demand for and lower revenue from cogeneration equipment there, which would adversely affect us. In addition, our ability to successfully penetrate new geographic markets may depend on new geographic areas adopting and maintaining incentives to promote cogeneration, to the extent such incentives are not currently in place. Additionally, electric utility companies may establish pricing structures or interconnection requirements that could adversely affect our sales and be harmful to cogeneration.

We may be exposed to substantial liability claims if we fail to fulfill our obligations to our customers or our on-site equipment malfunctions.

We enter into contracts with large commercial and not-for-profit customers under which we assume responsibility for meeting a portion of the customers' building energy demand and equipment installation. We may be exposed to substantial liability claims if we fail to fulfill our obligations to such customers. If the equipment malfunctions, it may be costly to repair or replace. There can be no assurance that we will not be vulnerable to claims by customers and by third parties that are beyond any contractual protections that we are able to negotiate. As a result, liability claims could cause us significant financial harm.

Losses or unauthorized access to or releases of confidential information, including personal information, could subject us to significant reputational, financial, legal and operational consequences.

Our business requires us to use and store confidential information, including personal information, with respect to our customers and employees and also requires us to share confidential information with suppliers and other third parties. We rely on suppliers that are also exposed to ransomware and other malicious attacks that can disrupt business operations. Although we take steps to secure confidential information that is provided to or accessible by third parties working on our behalf, such measures may not always be effective and losses or unauthorized access to or releases of confidential information may occur. Such incidents and other malicious attacks could materially adversely affect our business, reputation, results of operations and financial condition.

We have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive data, and mitigate the impact of unauthorized access, including through the use of encryption and authentication technologies and we continue to undertake regular reviews of our IT infrastructure and have investigated improved software and hardware cyber threat protection solutions. These measures cannot provide absolute security, and losses or unauthorized access to or releases of confidential information may occur and could materially adversely affect our business, reputation, results of operations and financial condition.

We have experienced malicious attacks and other attempts to gain unauthorized access to our systems, including the ransomware attack on our computer network which occurred on April 28, 2023 which required that we limit user access, remove the hard drives from two affected workstations from service and restore network files from systems backups. Our network returned to full operation on May 1, 2023. Since this incident, we have implemented changes to user access passwords, conducted a full audit of user accounts and implemented multi-factor authentication for network and workstation access. These attacks seek to compromise the confidentiality, integrity or availability of confidential information, or disrupt normal business operations, and could, among other things, impair our ability to attract and retain customers for our products and services, impact our stock price, materially damage commercial relationships, and expose us to litigation or government investigations,

which could result in penalties, fines, or judgments against us. Globally, attacks are expected to continue accelerating in both frequency and sophistication with increasing use by actors of tools and techniques that are designed to circumvent controls, avoid detection, and remove or obfuscate forensic evidence, all of which hinders our ability to identify, investigate and recover from incidents.

Credit and Liquidity Risks

We are exposed to credit risks with respect to some of our customers.

To the extent our customers do not advance us sufficient funds to finance our costs during the execution phase of our contracts, we are exposed to the risk that they may be unable to accept delivery or that they will be unable to make payment at the time of delivery or within agreed upon payment terms. We have experienced customer payment delays due to COVID-19, which are attributable to temporary business shutdowns, resulting in declines in revenues and cash flows from our customers and delays in project completion due to delays in government project inspections and a general slowdown in business activity and in some cases, customers ceasing business activities altogether.

Our provision for credit losses decreased to \$62,958 in the year ended December 31, 2025, compared to \$146,010 in the year ended December 31, 2024, due to the write down of certain install receivables which were deemed uncollectible in the year ended December 31, 2024. Our allowance for credit losses was \$389,079 as of December 31, 2025, an increase of \$93,147 when compared to the allowance for credit losses as of December 31, 2024.

Risks Relating to Ownership of our Common Stock

Investment in our Common Stock is subject to price fluctuations and market volatility.

Historically, valuations of many small companies have been highly volatile. The securities of many small companies have experienced significant price and trading volume fluctuations unrelated to the operating performance or the prospects of such companies. The market price of shares of our common stock could be subject to wide fluctuations in response to many risk factors listed in this section, and others beyond our control, including:

- results and timing of our product development;
- results of the development of our competitors' products;
- regulatory actions with respect to our products or our competitors' products;
- actual or anticipated fluctuations in our financial condition and operating results;
- actual or anticipated changes in our growth rate relative to our competitors;
- actual or anticipated fluctuations in our competitors' operating results or changes in their growth rate;
- competition from existing products or new products that may emerge;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations, or capital commitments;
- issuance of new or updated research or reports by securities analysts;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- additions or departures of key management or personnel;
- disputes or other developments related to proprietary rights, including patents, litigation matters, and our ability to obtain, maintain, defend or enforce proprietary rights relating to our products and technologies;
- announcement or expectation of additional financing efforts;
- sales of our shares by us, our insiders, or our other stockholders;
- political events, war, terrorism, public health issues, natural disasters and other circumstances;
- lawsuits threatened or filed against us; and
- general economic and market conditions.

Furthermore, the U.S. stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as

general economic, political, and market conditions such as recessions, interest rate changes, or international currency fluctuations may negatively impact the market price of shares of our common stock. In addition, such fluctuations could subject us to securities class action litigation, which could result in substantial costs and divert our management's attention from other business concerns, which could potentially harm our business.

Additionally, selling short is a technique used by a stockholder to take advantage of an anticipated decline in the price of a security. A significant number of short sales or a large volume of other sales within a relatively short period of time can create downward pressure on the market price of a security. Holders of our securities could, therefore, experience a decline in the value of their investment as a result of short sales or a high volume of selling of our shares.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our shares will depend on the research and reports that securities or industry analysts publish about us or our business. There can be no assurance that analysts will cover us or provide favorable coverage. If one or more analysts downgrade our shares or change their opinion of our share price our share price may decline. In addition, if one or more analysts cease coverage of us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Because our directors and executive officers are among our largest stockholders, they can exert influence over our business and affairs and have actual or potential interests that may differ from other stockholders or investors.

As of the date of this report, our directors and executive officers and related parties directly, indirectly, and through trusts for the benefit of family members, collectively beneficially own approximately 37.7% of our issued and outstanding shares. Additionally, the holdings of our directors and executive officers may increase in the future upon vesting or exercise of the options or other stock awards they may hold or in the future may be granted or if they otherwise acquire additional shares in the open market or otherwise. The interests of such persons may differ from the interests of our other stockholders. As a result, in addition to their board seats and offices, such persons will have influence over corporate actions requiring shareholder approval. These matters would include the election of directors and the approval of mergers or other business combination transactions. Such persons' stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to acquire us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

Current stock holdings may be diluted if we make future equity issuances or if outstanding options are exercised for shares of our common stock.

"Dilution" refers to the reduction in the voting effect and proportionate ownership interest of a given number of shares of common stock as the total number of shares increases. Our issuance of additional common stock, preferred stock, or convertible debt may result in dilution to the interests of shareholders and may also result in the reduction of our stock price. The sale of a substantial number of shares into the market, or even the perception that sales could occur, could depress the price of our common stock. Also, the exercise of options may result in additional dilution.

The holders of outstanding options, warrants and convertible securities or derivatives, if any, have the opportunity to profit from a rise in the market price of our shares, if any, without assuming the risk of ownership, with a resulting dilution in the interests of other stockholders. We may find it more difficult to raise additional equity capital if it should be needed for our business while options, warrants, or convertible securities are outstanding.

Future sales of our shares by our existing stockholders may cause our stock price to fall.

The market price of our shares could decline as a result of sales by our existing stockholders of our shares in the market or the perception that these sales could occur. These sales might also make it more difficult for us to conduct an equity or equity-based financing at a time and price that we deem appropriate and thus inhibit our ability to raise additional capital when it is needed.

Because we have not and do not intend to pay cash dividends, our stockholders receive no current income from holding our stock.

We have paid no cash dividends on our capital stock to date, and we currently intend to retain our future earnings, if any, to fund the operation and expansion of our business, and therefore do not anticipate paying any cash dividends in the foreseeable future. As a result, capital appreciation, if any, of our common stock could be the sole source of gain for our stockholders for the foreseeable future.

We incur substantial costs to operate as a public reporting company.

We incur substantial legal, financial, accounting and other costs and expenses to operate as a public reporting company. We believe that these costs are a disproportionately larger percentage of our revenues than they are for many larger companies. In addition, the rules and regulations of the SEC impose significant requirements on public companies, including

ongoing disclosure obligations and mandatory corporate governance practices. Our senior management and other personnel need to devote a substantial amount of time to ensure ongoing compliance with these requirements. Our common stock is currently listed 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." Also, we must be current in our SEC reporting obligations to maintain our listing. There can be no assurance that we will continue to meet all of the public company requirements to which we are subject on a timely basis, or at all, or that our compliance costs will not continue to be material.

As a public reporting company, we are subject to rules and regulations established from time to time by the SEC and Public Company Accounting Oversight Board ("PCAOB") regarding our disclosure controls and internal controls over financial reporting. If we fail to establish and maintain effective disclosure controls and procedures and internal controls over financial reporting, we may not be able to accurately report our financial results or report them in a timely manner. Investor confidence in the price of our stock may be adversely affected if we are unable to comply with such rules and regulations.

As a public reporting company under the Securities Exchange Act, we are subject to the rules and regulations established from time to time by the SEC and the PCAOB. These rules and regulations require, among other things, that we maintain disclosure controls and procedures and internal controls over financial reporting. In addition, as a public company we are required to document and test our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act") so that our management can certify as to the effectiveness of our internal control over financial reporting.

Our Chief Executive Officer and Chief Financial Officer ("certifying officers") are responsible for establishing and maintaining our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e) and Rule 15d-15(e)). Our certifying officers designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under their supervision, to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the SEC's rules and forms, and is made known to management (including the certifying officer) by others within the company, including our subsidiaries. We regularly evaluate the effectiveness of our disclosure controls and procedures and report our conclusions about the effectiveness of the disclosure controls quarterly in our Quarterly Reports on Form 10-Q and annually in our Annual Reports on Form 10-K. In completing such reporting, we will disclose, as appropriate, any significant change in our internal control over financial reporting that occurred during our most recent fiscal period that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Also, as a public company, we are subject to rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act, which require us to include in our annual report on Form 10-K our management's report on, and assessment of the effectiveness of, our internal control over financial reporting ("management's report"). If we fail to achieve and maintain the adequacy of our internal controls over financial reporting, there is a risk that we will not comply with all of the requirements imposed by Section 404. Moreover, effective internal control over financial reporting, particularly that relate to revenue recognition, is necessary for us to produce reliable financial reports and is important in helping to prevent financial fraud. Any of these possible outcomes could result in an adverse reaction in the financial marketplace due to a loss in investor confidence in the reliability of our financial statements, which ultimately could harm our business and could negatively impact on the market price of our common stock. Investor confidence and the price of our common stock may be adversely affected if we are unable to comply with Section 404 of the Sarbanes-Oxley Act.

As of the end of the period covered by our Annual Report on Form 10-K for the year ended December 31, 2025, our principal executive officer and principal financial officer have concluded that there is a material weakness in our disclosure controls and procedures and our internal control over financial reporting. If we are unable to remediate these material weaknesses, if management identifies additional material weaknesses in the future, or if we otherwise fail to maintain effective internal controls over financial reporting, we may not be able to accurately or timely report our financial position or results of operations, which may adversely affect our business and stock price or cause our access to the capital markets to be impaired.

As of the end of the period covered by our Annual Report on Form 10-K for the year ended December 31, 2025, our certifying officers performed an evaluation of our disclosure controls and procedures and concluded that our controls were not effective to provide reasonable assurance that information required to be disclosed by us in reports that we file under the Securities Exchange Act, is recorded, processed, summarized and reported when required. Our management, including our certifying officers, after evaluating the effectiveness of our disclosure controls and procedures, concluded that our disclosure controls and procedures were not effective as of December 31, 2025, due to material weakness with respect to a small number of individuals dealing with general controls over information technology. Any failure to implement effective internal controls could harm our operating results or cause us to fail to meet our reporting obligations. Inadequate internal controls could also

cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock and may require us to incur additional costs to improve our internal control system.

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; establishing independent review and verification procedures for our vendor and customer master files; enhancing the documentation to support review occurrences and approval procedures; and, commencing 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.

In addition, on March 11, 2025, we filed a Current Report on Form 8-K to report, among other things, certain changes in the level of compensation for Mr. Panora, our President and COO, and the resignation of Mr. Gehret, our Vice President of Operations. Although Mr. Gehret remained with us as an employee until February 28, 2025, and then as a consultant until his duties were transferred to Mr. Panora, and subsequently determined we did not report Mr. Gehret's resignation timely in accordance with the requirements of Form 8-K.

We continue to develop and refine our disclosure controls and other procedures. We are continuing to improve our internal control over financial reporting which may require us to hire additional accounting and financial personnel to implement such processes and controls and to provide additional training to our existing personnel. We expect to incur costs related to implementing our internal compliance function to further improve our internal control environment.

If we identify further deficiencies in our internal control over financial reporting in the future or if we are unable to comply with the demands placed upon us as a public company, including the requirements of Section 404 of the Sarbanes-Oxley Act, in a timely manner, we may be unable to accurately report our financial results, or report them within the timeframes required by the SEC. We also could become subject to regulatory action. In addition, if we are unable to assert that our internal controls over financial reporting are effective, investors may lose confidence in the accuracy and completeness of our financial reports, we may face restricted access to the capital markets, and our stock price may be adversely affected.

Our current controls and any new controls that we develop may become inadequate because of changes in our business, and weaknesses in our disclosure controls and procedures and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could cause us to fail to meet our reporting obligations, result in a restatement of our financial statements for prior periods, undermine investor confidence in us, and adversely affect the trading price of our common stock. Our disclosure controls and procedures are designed to provide reasonable assurance that the control system's objectives will be met.

We are a “smaller reporting company” within the meaning of the Securities Act and Securities Exchange Act and we intend to take advantage of certain exemptions from disclosure requirements available to smaller reporting companies which could make our securities less attractive to investors and may make it more difficult to compare our performance with that of other public companies.

We are a “smaller reporting company” as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which (i) the market value of the shares of common stock held by non-affiliates exceeds \$250 million as of the prior June 30, and (ii) our annual revenue exceeded \$100 million during such completed fiscal year or the market value of the shares of common stock held by non-affiliates exceeds \$700 million as of the prior June 30. To the extent we take advantage of such reduced disclosure obligations, it may also make comparison of our financial statements with other public companies difficult or impossible.

Delaware law and our certificate of incorporation and bylaws contain certain provisions, including anti-takeover provisions that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.

Our certificate of incorporation, bylaws and the Delaware General Corporations Law (“DGCL”) contain provisions that could have the effect of rendering more difficult, delaying or preventing an acquisition that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock and therefore depress the trading price. These provisions could also make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the incumbent members of the board of directors or taking other corporate actions,

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including effecting changes in our management. Among other things, our certificate of incorporation bylaws, or DGCL include provisions that:

- permit the board to issue shares of preferred stock, including “*blank check*” preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer
- prohibit cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates
- limit the liability of, and provide for the indemnification of, our directors and officers
- permit the board to amend our bylaws, which may allow the board to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the bylaws to facilitate an unsolicited takeover attempt
- require a supermajority vote of stockholders to amend certain provisions of our certificate of incorporation and a supermajority vote of stockholders in order to amend our bylaws
- limit our ability to engage in business combinations with certain interested stockholders without certain approvals
- permit only the board, the chief executive officer of the company or the chairperson of the board to call special stockholder meetings;
- mandate advance notice procedures with which stockholders must comply in order to nominate candidates to the board or to propose matters to be acted upon at a stockholders’ meeting, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in the board and also may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of our company, and
- provide that directors may be removed only for cause and only by a supermajority vote of our stockholders

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our board or management.

General Business Risks

Our intellectual property may not be adequately protected.

We seek to protect our intellectual property rights through patents, trademarks, copyrights, trade secret laws, confidentiality agreements, and licensing arrangements, but we cannot ensure that we will be able to adequately protect our technology from misappropriation or infringement. We cannot ensure that our existing intellectual property rights will not be invalidated, circumvented, challenged, or rendered unenforceable.

Our competitors may successfully challenge the validity of our patents, design non-infringing products, or deliberately infringe our patents. There can be no assurance that other companies are not investigating or developing other similar technologies. In addition, our intellectual property rights may not provide a competitive advantage to us or ensure that our products and technology will be adequately covered by our patents and other intellectual property. Any of these factors or the expiration, termination, or invalidity of one or more of our patents may have a material adverse effect on our business.

Others may assert that our technology infringes their intellectual property rights.

We may be subject to infringement claims from time to time. The defense of any claims of infringement made against us by third parties could involve significant legal costs and require our management to divert time from our business operations. If we are unsuccessful in defending any claims of infringement, we may be forced to obtain licenses or to pay additional royalties to continue to use our technology. We may not be able to obtain any necessary licenses on commercially reasonable terms or at all. If we fail to obtain necessary licenses or other rights, or if these licenses are costly, our operating results would suffer either from reductions in revenues through our inability to serve customers or from increases in costs to license third-party technologies.

Our business and financial performance may be adversely affected by information systems interruptions, cybersecurity attacks or other disruptions which could have a material adverse effect on our business and results from operations.

We depend upon information technology, infrastructure, including network, hardware and software systems to conduct our business. Despite our implementation of security measures, there are numerous and evolving risks to cybersecurity and privacy, including risks originating from intentional acts of criminal hackers, nation states and competitors, intentional and unintentional acts or omissions of customers, vendors, contractors, employees and other third parties that may result in damage,

breakdown, or interruption from computer viruses, ransomware, malware, phishing, social engineering, fraudulent inducement, electronic fraud, wire fraud, human error or malfeasance, unauthorized access, natural disasters, and telecommunications and electrical failures. We directly or indirectly store, collect and transmit sensitive data, including intellectual property, confidential information, proprietary business information, and customer or personal data. The secure processing of such data, maintenance, and transmission of such data is important to our operations. We face increased cybersecurity risks due to our reliance on internet technology, among other things, to monitor our installed products or systems remotely. We may not be able to anticipate all types of security threats or be able to implement security measures effective against all such threats or implement preventive measures effective against all such threats. The techniques used by cybercriminals change frequently and may not be recognized until launched and can originate from a wide variety of sources. Even if identified, we may not be able to adequately investigate or remediate incidents or breaches due to attacks increasingly using tools and techniques that are designed to circumvent controls, to avoid detection, and to remove or obfuscate forensic evidence. Accordingly, our data protection efforts and related security measures may not be adequate to protect against highly targeted sophisticated cyber-attacks, or other improper disclosures of confidential and/or sensitive information. Additionally, we may have access to confidential or other sensitive information of our customers or suppliers, which despite our efforts to protect, may be vulnerable to security breaches, theft, or improper disclosure, any of which could have a material adverse effect on our competitive position, results of operations, cash flows, or financial condition. The increase in personnel working remotely during and after the Covid-19 pandemic has increased the risk of our and our vendors and suppliers' security breaches and incidents. If a security breach or other incident results in unauthorized access to, or use, disclosure, release, or other processing of confidential or proprietary information, we could incur liability, and it may be necessary to notify persons, governmental authorities, supervisory bodies, the media and other parties pursuant to privacy and security laws. Any such access, disclosure or other loss of information could result in legal claims, proceedings, liability under laws that protect the privacy of personal information of our employees or others, and any such event could disrupt our operations, damage our reputation, and cause a loss of confidence in us. Our contracts with our customers and suppliers may not contain limitation of liability and there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to privacy, data protection, or data security. Further, we can give no assurance that our insurance coverage will be adequate or sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems, that such coverage will continue to be available on commercially reasonable terms or at all, or that such coverage will pay future claims.

Our success is dependent upon attracting and retaining highly qualified personnel and the loss of key personnel could significantly hurt our business.

To achieve success, we must attract and retain highly qualified technical, operational and executive employees. The loss of the services of key employees or an inability to attract, train and retain qualified and skilled employees, specifically engineering, operations, and business development personnel, could result in the loss of business or could otherwise negatively impact on our ability to operate and grow our business successfully.

Our business may be impacted by political events, war, terrorism, public health issues, natural disasters and other circumstances that are not within our control.

War, terrorism, geopolitical uncertainties, public health issues, and other business interruptions have caused and could cause damage or disruption to international commerce and the global economy, and thus could have a material adverse effect on us, our suppliers, and manufacturing vendors. Our business operations are subject to interruption by natural disasters, fire, power shortages, nuclear power plant accidents, terrorist attacks, and other hostile acts, labor disputes, public health issues, and other events beyond our control. Such events could decrease demand for our products, make it difficult or impossible for us to make and deliver products to our customers, or to receive products from our manufacturers and suppliers, and create delays and inefficiencies in our supply chain. If major public health issues, including pandemics, arise, we could be adversely affected by more stringent employee travel restrictions, limitations in freight services, governmental actions limiting the movement of products between regions, delays in production ramps of new products, and disruptions in the operations of our manufacturing vendors and suppliers. In the event of such issues, we could incur significant losses, require substantial recovery time and experience significant expenditures in order to resume operations.

We may be subject to litigation, including securities class action litigation, which may harm our business and operating results.

Our share price may be volatile and in the past companies that have experienced volatility in the market price of their stock have been subject to an increased incidence of securities class action litigation. Securities litigation against us could result in substantial costs and damages and divert our management's attention from other business concerns, which could seriously harm our business, results of operations, financial condition or cash flows.

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Although we maintain directors' and officers' insurance coverage, there can be no assurances that this insurance coverage will be sufficient to cover the substantial fees and expenses of lawyers and other professional advisors relating to any future litigation, our obligations to indemnify our officers and directors who are or may become parties to such pending and future actions, or the amount of any judgments or settlements that we may be obligated to pay in connection with such actions. We may be required to make material payments in connection with the defense of or to settle such litigation or to satisfy any adverse judgment. In addition, actions that arise in the future could be excluded from coverage or, if covered, could exceed our deductibles and/or the coverage provided. In addition, an adverse outcome in any such litigation could cause our insurance premiums and retention amounts to increase in the future. Any of these consequences could have a material adverse effect on our business, financial condition and results of operations. For more information regarding litigation, see "Item 3. Legal Proceedings" and Note 12 "Commitments and Contingencies" in the Notes to our Consolidated Financial Statements included elsewhere herein.

We may also be called on to defend against lawsuits relating to our business operations. Some of these claims may seek significant damages amounts. Due to the inherent uncertainties of litigation, the ultimate outcome of any such proceedings cannot be accurately predicted. A future unfavorable outcome in a legal proceeding could have an adverse impact on our business, financial condition and results of operations.

In addition, current and future litigation, regardless of its merits, could result in substantial legal fees, settlements or judgment costs and a diversion of our management's attention and resources that are needed to successfully run our business.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity

Risk Management Strategy

Our business is dependent upon our information technology ("IT") systems, devices and networks to collect, process and store the data necessary to conduct our business and record and report our business and financial information. We recognize the importance of developing, implementing, and maintaining effective cybersecurity measures to safeguard our IT systems and protect the confidentiality, integrity, and availability of our confidential and personal data, including with respect to our customers, suppliers, and employees, as well as our intellectual property.

We maintain a cybersecurity risk management program to identify, assess, manage, mitigate, and respond to cybersecurity threats. Our cybersecurity risk management program incorporates various mechanisms to detect and monitor unusual network activity, as well as containment and incident response tools. We monitor issues that are internally discovered or externally reported that may affect our business and have processes to assess those issues for potential cybersecurity impact or risk.

We have integrated our cybersecurity risk management program into our broader enterprise risk management program. This integration is designed to make cybersecurity considerations an integral part of our decision-making processes at every level and we believe that this integration allows cybersecurity risks to be evaluated and addressed in alignment with our business objectives and operational needs. While we work to maintain our information security program and risk management efforts, there can be no assurance that such actions will be sufficient to prevent cybersecurity incidents or mitigate all potential risks to our systems, networks, and data or those of our third-party providers.

We rely on suppliers that are also exposed to ransomware and other malicious attacks that can disrupt business operations. Although we take steps to secure confidential information that is provided to or accessible by third parties, such measures may not always be effective and losses or unauthorized access to, or releases of, confidential information occur. Such incidents and other malicious attacks could materially adversely affect our business, reputation, results of operations and financial condition.

We have experienced malicious attacks and other attempts to gain unauthorized access to our systems, including a ransomware attack on our computer network which occurred on April 28, 2023. Following remediation, our network returned to full operation on May 1, 2023.

We have engaged a third-party consultant in connection with our risk management and assessment processes. Our consultant assists us in the design and implementation of our cybersecurity policies and procedures, as well as the monitoring and testing of our safeguards. In the event of a cybersecurity incident, our incident response plan outlines the steps to be followed from incident detection to mitigation, recovery and notification, and involves notifying senior management, our legal department, and the board of directors and/or our audit committee, if appropriate, and mitigation and remediation steps by our third-party consultant.

Governance

Our board of directors has overall responsibility for informed oversight of our risk management process, including risks from cybersecurity threats. Our board of directors is responsible for monitoring and assessing strategic risk exposure. Our executive officers are responsible for the day-to-day management of the material risks we face. Our board of directors has delegated to our audit committee its cybersecurity risk oversight processes, including oversight and mitigation of risks from cybersecurity threats.

Our audit committee receives periodic reports from management regarding our cybersecurity risks and is notified of any significant cybersecurity threat or incident. The audit committee reports to the board of directors regarding its activities, including with respect to cybersecurity matters and the occurrence of any material cybersecurity incident, if appropriate.

We have engaged a third-party consultant to manage risks associated with network protection and workstation management. Our consultant performs an annual assessment of our cybersecurity risk policies and procedures.

Our cybersecurity risk management and strategy processes are jointly led by our embedded software engineer and Chief Executive Officer, in conjunction with a third-party consultant we have engaged to assist with cybersecurity risks assessment and monitoring. Our embedded software engineer is informed about and monitors the prevention, mitigation, detection, and remediation of cybersecurity incidents through their management of the cybersecurity risk management and strategy processes described above, including our incident response plan. Together with the General Counsel, Chief Executive Officer and outside consultant that comprise our cybersecurity management team, we collectively possess significant experience in evaluating, managing, and mitigating security and other risks, including cybersecurity risks.

Our embedded software engineer possesses significant information systems experience.

Item 2. Properties.

Our headquarters are located in North Billerica, Massachusetts, consisting of approximately 26,412 square feet of manufacturing, storage and office space, of which approximately 21,000 square feet is dedicated to manufacturing and warehousing.

Facilities Relocation

On March 31, 2023, we entered into two lease agreements for two adjacent buildings located in North Billerica, Massachusetts, 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 lease agreements commenced on January 1, 2024, and require payment of the base rent, real estate taxes, common maintenance expenses, and aggregate security deposits in the amount of \$38,200. Our costs for initial improvements required to the leased premises is estimated to range between \$1,150,000 and \$1,200,000. The estimated straight-line monthly rent expense for the initial term of the lease is approximately \$26,412 per month. In accordance with ASC 842-20-30-1, we recognized and recorded the lease liability and right-of-use asset using the discount rate for the lease upon the lease commencement date, January 1, 2024. We believe that our facilities are appropriate and adequate for our current needs.

Service Centers

Our eleven leased service centers can be categorized into two different sizes. The larger leased spaces have office space to accommodate administrative, sales and engineering personnel, and warehouse space to stock parts in support of our service contracts. As of December 31, 2025, the service centers that fit this larger category are based in Piscataway, New Jersey and Valley Stream and Buchanan, New York to service the Metro New York City and the Mid-Atlantic region. The San Francisco Bay area and Northern California are served by such a center in Hayward, California. A portion of the corporate headquarters in North Billerica, Massachusetts are used in this manner to service all of our satellite service centers. The smaller service centers are parts depots or warehouses for the stocking of parts in support of our service contracts. These centers are located in Easton, Massachusetts, Los Angeles, California, Sterling Heights, Michigan, Newark, New York, East Windsor, Connecticut, East Syracuse, New York, Toronto, Ontario and Wellesley Chapel, Florida.

Item 3. Legal Proceedings.

We and our properties are not parties to any material pending legal proceedings, other than ordinary routine litigation incidental to our business.

Item 4. Mine Safety Disclosures.

Not applicable.

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PART II

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

Market for Our Shares

Our common stock is listed on the NYSE American LLC ("NYSE American") stock exchange and trades under the symbol TGEN. As of March 19, 2026, there were 57 holders of record of our common stock. Any over-the-market quotations reflect inter-dealer prices, without mark-up, markdown or commission and may not necessarily represent actual transactions.

Dividends

We have never declared or paid a cash dividend on our common stock and do not anticipate paying cash dividends on our common stock in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors and will depend on our financial condition, results of operations, contractual restrictions and covenants included under any bank or other indebtedness that we may enter into, capital requirements, business prospects and other factors that our board of directors considers relevant.

Recent Sales of Unregistered Securities

None

Equity Compensation Plan Information

We adopted our 2006 Stock Incentive Plan (as amended, the "2006 Plan") in December 2005. Under the plan our board of directors may grant or award incentive stock options to our officers and employees and grant or award non-qualified stock options, and restricted stock to our employees, officers, directors, and consultants. On November 1, 2016, the 2006 Plan was amended by the Board of Directors to increase the reserved shares of common stock issuable under the 2006 Plan to 3,838,750 and to extend the termination date of the 2006 Plan to January 1, 2026. Our stockholders approved the amendment in June 2017 and ratified all of our option grants after January 1, 2016.

Stock options vest based upon the terms within the individual option grants, with an acceleration of the unvested portion of such options upon a change in control event, as defined in the 2006 Plan. The options are not transferable except by will or domestic relations order. The option price per share under the 2006 Plan cannot be less than the fair market value of the underlying shares on the date of the grant. The number of shares that remained available for future issuance under the 2006 Plan as of December 31, 2025 and 2024 were 1,151,068 and 1,108,168, respectively. On January 1, 2026, the 2006 Plan expired. Accordingly, no further grants or awards may be made under the plan.

We adopted the 2022 Stock Incentive Plan (the "2022 Plan") on March 8, 2022, and it was approved by our stockholders on June 9, 2022. Under the plan, the Board of Directors may grant or award incentive stock options to employees and officers and non-qualified stock options, restricted stock grants, and common stock to our employees, officers, directors, and consultants. We have reserved 3,800,000 shares of our common stock for issuance pursuant to awards under the 2022 Plan.

Under the 2022 Plan, stock options vest based upon the terms of the individual option grants, with an acceleration of the unvested portion of such options upon a change in control event, as defined in the 2022 Plan. The options are not transferable except by will or domestic relations order. The option price per share under the 2022 Plan cannot be less than the fair market value of the underlying shares on the date of the grant. The number of shares that remained available for future issuance under the 2022 Plan as of December 31, 2025 and 2024 were 2,632,856 and 2,950,000, respectively.

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The following table provides information as of December 31, 2025, regarding Common Stock that may be issued under the 2006 Plan and the 2022 Plan.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders	2,347,044	\$ 1.90	3,783,924
Equity compensation plans not approved by security holders	—	—	—
Total	2,347,044	\$ 1.90	3,783,924

On January 1, 2026 the 2006 Plan expired. Accordingly, no further options or other grants may be made under the plan. The number of shares that remained available for further issuance was 2,632,856 as of January 1, 2026.

Item 6. [Reserved].

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis and other parts of this report should be read in conjunction with our audited consolidated financial statements and the accompanying notes thereto included in this report and is qualified in its entirety by the foregoing and by more detailed financial information appearing elsewhere in this report. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. You should review the "Risk Factors" in this report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. While we may elect to update forward-looking statements in the future, except as required by law, 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 our views as of any date subsequent to the date of the filing of this report. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

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 Ultra 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 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.

Although we may, from time to time, have one or a few customers who may represent more than 10% of our product revenue for a given year, we are not dependent on the recurrence of revenue from those customers. Our product revenue is such that customers may make a large purchase once and may not ever make a purchase again. Our equipment is built to last 30 or more years. Therefore, our product revenue model is not dependent on recurring sales transactions from the same customer. Our service revenue does lend itself to recurring revenue from particular customers.

For the last two fiscal years, more than half of our revenue was generated from long-term maintenance and energy production contracts, which provides us with a predictable revenue stream, especially during the summer months. We experience a slight surge of activity from May through September as our "chiller season" is in full swing. Our O&M service

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revenue which has grown from year to year since 2005, with our New York City/New Jersey and New England systems experiencing the majority of the growth, was positively impacted by the Aegis maintenance agreement acquisition in 2023. Our installation service related revenue has decreased and is likely to continue to remain low due to our strategy to focus on higher margin segments of our business. Our service margins are generally predictable as we service hundreds of long-term contracts with relatively low dollar, high volume sales.

During the years ended December 31, 2025 and 2024, our revenues were negatively impacted due to supply chain issues, customer order delays or deferrals and, service delays due to customer facility closures.

Our product revenue is derived from the sale of the various cogeneration modules, such as the InVerde, InVerde e+, the Tecopower, and Tecochill products. In 2019, we also reintroduced our TecoFrost refrigeration line. The sales cycle varies between 6 months to a year or more. Therefore, our product revenue can be difficult to predict and the expected margin can vary. In most cases we work with consulting engineers who specify our product in new and retrofit applications.

Our cogeneration, heat pump, and chiller modules are built to order and revenue is recognized upon shipment. The lead time to build and deliver a unit depends on its customized configuration and is approximately 12 to 14 weeks for a chiller and 6 to 8 weeks for a cogeneration system or heat pump, from time of purchase order. As revenue is recognized upon shipment, our work-in-process is an important factor in understanding our financial condition in any given quarter.

Our operations are comprised of three business segments, as follows:

- Products segment - designs, manufactures and sells industrial and commercial cogeneration systems;
- Services segment - provides maintenance services for Tecogen supplied products at customer sites; and,
- Energy Production segment - sells energy in the form of electricity, heat, hot water, and cooling to our customers under long-term sales agreements.

Recent Developments

Recent Equity Financing

On July 21, 2025, we closed on the sale of an aggregate of 3,985,000 shares of common stock, \$0.001 par value per share ("common stock"), including an additional 485,000 shares of common stock to cover over-allotments, at a price to the public of \$5.00 per share (before deduction of underwriting discounts and commissions), in a firm commitment underwritten public offering pursuant to an underwriting agreement, dated July 18, 2025, between the Company and Roth Capital Partners, LLC, as sole underwriter and manager for the offering ("Offering"). The net proceeds from the Offering, after deducting underwriting discounts and commissions and offering expenses were approximately \$18,105,100. See "Note 1. Description of Business and Basis of Presentation" of the Notes to Condensed Consolidated Statements for additional detail on the net Offering proceeds.

We have used and intend to use the net proceeds of the Offering for continued product development, increased sales and marketing activities, sales, marketing, additional human resources, capital expenditures, repayment of related party promissory notes and other costs and expenses we may incur in connection with the anticipated expansion into the data center market, and for general working capital and corporate purposes.

Uplist to NYSE American Stock Exchange

On April 30, 2025, we announced that our common stock had been 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 ("Vertiv Agreement"). The Vertiv Agreement has a term of two years and provides that Vertiv will engage in establishing 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 for such applications 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

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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 ("SEC") 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 "First Amendment"). The First 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 5. "Aegis Contract and Related Asset Acquisition" of the Notes to the 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 impacted during the second and third quarters of 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 has had a material impact on anti-fossil fuel sentiment and the regulatory environment that is more 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.

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 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 which were shipped in the second and third quarter of 2025. In

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March 2024, the US Patent and Trademark Office granted patent 11,936,327: "Hybrid Power System With Electric Generator and Auxiliary Power Source."

Impact of Geopolitical Tensions

We have no operations or customers in Russia, the Ukraine, or in the Middle East, including the recent military action in Iran. The higher energy prices for natural gas as a result of the war 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.

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, we extended the maturity date of the promissory note dated October 10, 2023 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 we were required to issue is 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 were required to issue is 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. Both of the promissory notes with Mr. Hatsopoulos were reclassified to long-term liabilities due to the February 18, 2025 amendment.

The promissory notes were repaid in full or converted to shares of our common stock in the year ended December 31, 2025. See Note 11. "Related Party Notes" of the Notes to the Consolidated Financial Statements.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make judgments, assumptions and estimates that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. These judgments, assumptions and estimates are made or applied within the context of accounting policies related to the nature of the transaction. Note 2. "Summary of Significant Accounting Policies" of the Notes to our Consolidated Financial Statements describes the significant accounting policies used in the preparation of the consolidated financial statements.

Certain aspects of certain accounting policies require management to make difficult, subjective or complex judgments that could have a material effect on our financial condition and results of operations. These aspects of these accounting policies are considered critical accounting policies. These policies may require management to make assumptions about matters that are highly uncertain at the time of the estimate or employ an estimate where alternative estimates could have also been employed, and may involve estimates that are reasonably likely to change with the passage of time. Estimates and assumptions about future events and their effects cannot be determined with certainty. We base our estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as our operating environment changes. These changes have historically been minor and have been included in the consolidated financial statements as soon as they became known. In addition, management is periodically faced with uncertainties, the outcomes of which are not within its control and will not be known for prolonged periods of time. These uncertainties are discussed in "Item 1A, Risk Factors" above.

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Management believes that the following are critical accounting estimates:

Revenue Recognition

Revenue is recognized when performance obligations under the terms of a contract with our customer are satisfied. This generally 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.

Determination of contract consideration allocable to multiple performance obligations within a single contract requires employing stand-alone selling prices which may be based on observable selling prices, estimated selling prices or as a residual. 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.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The allowance for credit losses is estimated based on historical experience, aging of the receivable, the counterparty's ability to pay, condition of the general economy and industry, and combined with management's estimate of current conditions, reasonable and supportable forecasts of future losses to determine estimated credit losses in our evaluation of outstanding accounts receivable at the end of the year. The allowance for credit losses reflects managements evaluation of our outstanding accounts receivable at the end of the year and our best estimate of probable losses inherent in the accounts receivable balance. Accounts receivable deemed uncollectible are charged against the allowance for credit losses when identified.

Inventory

Raw materials, work in process, and finished goods inventories are stated at the lower of cost, as determined by the average cost method, or net realizable value. We periodically review inventory quantities on hand for excess and/or obsolete inventory based primarily on historical usage, as well as based on estimated forecast of product demand. Any reserves that result from this review are charged to cost of sales.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset, which range from three to fifteen years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or the term of the related leases. Expenditures for maintenance and repairs are expensed, while renewals and betterments that materially extend the life of an asset are capitalized.

We review our property, plant and equipment for potential impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be fully recoverable or that the useful lives of the assets are no longer appropriate. We evaluate the recoverability of our long-lived assets when impairment is indicated by comparing the net book value of the asset group to the estimated future undiscounted cash flows attributable to such assets. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than the carrying value of the assets, the assets will be written down to the estimated fair value and such loss is recognized in income from continuing operations in the period in which the determination is made. If impairment is indicated, the asset is written down to its estimated fair value.

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 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.

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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.

Contract Assets and Liabilities

The favorable contract asset and unfavorable contract liability included in the intangible assets and liabilities of the consolidated balance sheets represent the fair value of customer energy production contracts (both positive for favorable contracts and negative for unfavorable contracts) which were acquired by us.

The determination of fair value requires development of an estimate of the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Contracts are considered to be assets or liabilities by virtue of the rights and obligations inherent in the contract terms. Typically, contracts with terms considered to be at market are considered to have no fair value as, in order to be entitled to the rights under the contract, performance must occur for which a market rate of return is earned due to the at market terms. The fair value of a contract is primarily a measurement of its off-market terms. The obligation to perform under a contract with terms that are unfavorable to market results in a liability to the extent its terms are off-market. The resulting liability is an estimate of the price that would need to be paid to a willing market participant to assume the obligations under the contract in order for them to receive a market rate of return for their remaining performance obligation under the contract. The opposite holds true in instances where the terms of a contract are considered to be favorable to market. In that case an asset would exist as an estimate of the price that would be received from a willing market participant in order to be entitled to the rights under the contract.

In determining the estimate of fair value of customer energy production contracts, the measure of market, and thus the baseline to measure the amount related to any of the off-market terms or conditions with respect to the contracts, was considered best determined, given the nature of the services provided under the contracts, by utilizing a benchmark level of margin, in this case 35% of revenue which is consistent with the average return on revenue of US investor owned public utilities.

Goodwill

Goodwill is not amortized; however, it is reviewed for impairment annually in the fourth quarter and/or when circumstances or other events indicate that impairment may have occurred. ASC 350 "Intangibles—Goodwill and Other" (ASC 350) permits entities to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. Circumstances that are considered as part of the qualitative assessment and could trigger the two-step impairment test include, but are not limited to: a significant adverse change in the business climate; a significant adverse legal judgment; adverse cash flow trends; an adverse action or assessment by a government agency; unanticipated competition; decline in our stock price; and a significant restructuring charge within a reporting unit. We define reporting units at the business segment level. For purposes of testing goodwill for impairment, goodwill has been allocated to our reporting units to the extent it relates to each reporting unit.

At a minimum, we perform a quantitative goodwill impairment test in the fourth quarter of the year. In the fourth quarter of 2025, we performed a quantitative goodwill impairment test for our energy production reporting unit acquired in 2017. We used a discounted cash flow approach to develop the estimated fair value of that reporting unit. Management judgment is required in developing the assumptions for the discounted cash flow model. An impairment would be recorded if the carrying amount of a reporting unit including goodwill exceeded the estimated fair value. Based on the aforementioned analysis, the carrying amount of that reporting unit, including goodwill, exceeded the estimated fair value and resulted in an impairment at December 31, 2025. See Note 6. "Sale of Energy Producing Assets".

The impairment analysis recognizes the shortening of remaining contract terms with customers without replacement and without further growth, as well as less than expected cost savings, offset by profitability from our initiatives to optimize the long-term profitability of our various site operations and a price peak of the our common stock on the date of the business combination to which the goodwill relates (see also Note 6. "Sale of Energy Producing Assets").

The discount rate, profitability assumptions, and terminal growth rate of the Energy Production unit were the material assumptions utilized in the discounted cash flow model used to estimate its fair value. The discount rate reflects an estimate of our weighted-average cost of capital.

The discounted cash flow analysis requires estimates, assumptions and judgments about future events. Our analysis uses our internally generated long-range plan. The long-range plan reflects management's judgment and assumptions about future events.

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In the fourth quarter of 2025, we performed a quantitative goodwill impairment test for the Aegis maintenance service contracts reporting unit acquired in 2023 and 2024. We used a discounted cash flow approach to develop the estimated fair value of that reporting unit. Management judgment is required in developing the assumptions for the discounted cash flow model. An impairment would be recorded if the carrying amount of a reporting unit including goodwill exceeded the estimated fair value. Based on the aforementioned analysis, the estimated fair value of that reporting unit, including goodwill, exceeded the carrying value and resulted in no impairment at December 31, 2025. See Note 5. "Aegis Contract and Related Asset Acquisition".

The impairment analysis considers actual run hours and system uptime in forecasting future run hours and hourly billing rates, forecasted costs incurred to maintain the systems, assumes system downtime due to extensive repairs, contract attrition and assumes improvements in our service operations and system maintenance procedures to optimize the long-term profitability of the various maintenance service contracts.

The discount rate, profitability assumptions, and terminal growth rate of the Aegis Contract unit were the material assumptions utilized in the discounted cash flow model used to estimate its fair value. The discount rate reflects an estimate of our weighted-average cost of capital.

The discounted cash flow analysis requires estimates, assumptions and judgments about future events. Our analysis uses our internally generated long-range plan. The long-range plan reflects management's judgment and assumptions about future events.

We believe the assumptions used in our goodwill impairment analysis are appropriate and result in a reasonable estimate of the fair value of the reporting unit. However, due to uncertainties regarding the impact of the economic environment on our business, there can be no assurance that our estimates and assumptions, made for purposes of our goodwill impairment testing, will prove to be an accurate prediction of the future. If our assumptions regarding future performance are not achieved, we may be required to record additional goodwill impairment charges in future periods.

Results of Operations

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

The following table sets forth for the periods indicated, the percentages of the net sales represented by certain items reflected in our statements of operations for the years ended December 31, 2025 and 2024:

	Years ended December 31,	
	2025	2024
Revenues	100.0 %	100.0 %
Cost of Sales	63.7	56.4
Gross Profit	36.3	43.6
Operating expenses:		
General and administrative	49.9	50.2
Selling	8.4	8.3
Research and development	4.3	4.3
Loss (gain) on sale of assets	—	(0.1)
Goodwill impairment	4.1	1.0
Total operating expenses	66.7	63.7
Loss from operations	(30.5)	(20.0)
Total other expense, net	0.1	(0.5)
Consolidated net loss	(30.5)	(20.7)
Loss (income) attributable to the noncontrolling interest	—	(0.4)
Net loss attributable to Tecogen Inc.	(30.5)%	(21.0)%

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The following table presents revenue by segment and the change from the prior year for the years ended December 31, 2025 and 2024:

Revenues	Years Ended		Increase (Decrease) \$	Increase (Decrease) %
	December 31, 2025	December 31, 2024		
Product:				
Cogeneration	\$ 3,073,582	\$ 2,677,930	\$ 395,652	14.8 %
Chillers	5,658,183	1,647,374	4,010,809	243.5 %
Engineered Accessories	401,685	118,692	282,993	238.4 %
Total product revenue	9,133,450	4,443,996	4,689,454	105.5 %
Services	16,616,523	16,074,870	541,653	3.4 %
Energy production	1,323,737	2,100,670	(776,933)	(37.0)%
Total Revenue	<u>\$ 27,073,710</u>	<u>\$ 22,619,536</u>	<u>\$ 4,454,174</u>	19.7 %

Revenues

Revenues in 2025 were \$27,073,710 compared to \$22,619,536 in 2024, an increase of \$4,454,174 or 19.7% due to increased Products and Services revenues.

Products

Product revenues in 2025 were \$9,133,450 compared to \$4,443,996 in 2024, an increase of \$4,689,454 or 105.5%. The increase in Products revenue in 2025 compared to 2024 is due to a \$4,010,809 increase in chiller sales, \$282,993 increase in engineered accessories sales and a \$395,652 increase in cogeneration sales, due to increased unit volume. Our product mix, as well as product revenue, can vary significantly from period to period as our products are high dollar, low volume sales in which revenue is recognized upon shipment. The relocation to our new facility in April 2024 constrained our manufacturing capacity, which impacted product revenues during the second and third quarters of 2024.

Services

Revenues derived from our service centers in 2025 were \$16,616,523 compared to \$16,074,870 for the same period in 2024, an increase of \$541,653 or 3.4%. The increase in Services revenue in 2025 is due to a \$815,522, or 6.1% increase in service contract revenues from existing contracts, offset partially by a \$273,869, or 10.3%, decrease in revenue from the acquired Aegis Maintenance contracts.

Our service operation revenues grow with the sales 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 for the year ended December 31, 2025 were \$1,323,737 compared to \$2,100,670 for 2024, a decrease of \$776,933, or 37.0%. The decrease in Energy Production revenue for the year ended December 31, 2025 is due to the expiration of several energy production contracts in late 2024, decreased run hours at certain energy production sites due to temporary shutdowns for repairs and the guarantee shortfall of \$84,854 recognized in 2025.

Cost of Sales

Cost of sales for the year ended December 31, 2025 was \$17,249,202 compared to \$12,749,363 in 2024, an increase of \$4,499,839 or 35.3%. The increase in cost of sales is due to increased Products revenue volume and increased Services costs. Our overall gross margin was 36.3% in 2025 compared to 43.6% in 2024, a decrease of 7.3%. The decrease in gross margin for the year ended December 31, 2025 is due to the significant increase in our Services segment material and labor costs.

Products

Costs of sales for products the year ended December 31, 2025 was \$6,097,501 compared to \$3,014,655 in 2024, an increase of \$3,082,846, or 102.3%, due to increased chillers Products revenue and increases in material and labor costs in 2025. Our products gross margin was 33.2% in 2025 compared to 32.2% in 2024, an increase of 1.0%, due to increased engineering accessories sales in 2025, which are higher margin sales.

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Services

Cost of sales for services for the year ended December 31, 2025 was \$10,202,774 compared to \$8,432,876 in 2024, an increase of \$1,769,898, or 21.0%, due to increased labor and material costs as a consequence of acquiring the Aegis customer maintenance contracts and increased material usage at existing sites. Our services gross margin was 38.6% in 2025 compared to 47.5% in 2024, a decrease of 8.9%, due to increased labor and material costs incurred to replace engines at certain sites as we test improvements to our engine technology to improve engine performance, extend engine life and improved service margins.

Energy Production

Cost of sales for energy production for the year ended December 31, 2025 was \$948,927 compared to \$1,301,832 in 2024, a decrease of \$352,905, of 27.1%. Energy production gross margin was 28.3% in 2025 compared to 38.0% in 2024, a decrease of 9.7%. The decrease in the energy production gross margin is due to lower revenue and increased repair costs incurred to restart energy production sites which were shut down for repairs during a portion of the year ended December 31, 2025, compared to the same period in 2024 and the guarantee shortfall of \$84,854 recognized in 2025.

Operating Expenses

Operating expenses increased in 2025 to \$18,069,338 compared to \$14,404,260 in 2024, an increase of \$3,665,078 or 25.4%.

	Years Ended		Increase (Decrease)	
	December 31, 2025	December 31, 2024	\$	%
Operating Expenses				
General and administrative	13,522,035	11,356,406	\$ 2,165,629	19.1 %
Selling	2,267,247	1,880,903	386,344	20.5 %
Research and development	1,166,744	961,837	204,907	21.3 %
Loss (gain) on sale of assets	183	(12,181)	12,364	(101.5)%
Goodwill impairment	1,098,124	217,295	880,829	405.4 %
Long-lived asset impairment	15,005	—	15,005	— %
Total	<u>\$ 18,069,338</u>	<u>\$ 14,404,260</u>	<u>\$ 3,665,078</u>	25.4 %

General and administrative expenses increased \$2,165,629, or 19.1%, to \$13,522,035 in the year ended December 31, 2025 compared to \$11,356,406 in 2024, due to a \$490,192 increase in payroll and a \$433,113 increase in employee benefits, a \$264,638 increase in recruitment costs, a \$274,191 increase in depreciation and amortization, a \$224,331 increase in travel and vehicle expense, a \$422,073 increase in freight costs, a \$139,423 increase in stock-based compensation costs, a \$123,049 increase in business insurance premiums, a \$157,298 increase in operating supply costs, a \$94,972 increase in filing fees and other taxes, offset partially by a \$115,036 decrease in facility costs, due to the transition to our new facility in 2024, a \$83,052 reduction in credit losses, due to the accounts receivable recovery of \$75,000 recognized in 2025, a decrease in relocation costs of \$83,055 incurred in 2024 and the \$78,531 litigation provision reversal recognized in 2025.

Selling expenses increased in the year ended December 31, 2025 to \$2,267,247 compared to \$1,880,903 in 2024, an increase of \$386,344, or 20.5%, due to a \$296,573 increase in sales commissions on higher Products sales and a \$70,439 increase in advertising and trade show expense targeted to the data center market..

Research and development expenses increased in the year ended December 31, 2025 to \$1,166,744 compared to \$961,837, an increase of \$204,907 due to a \$224,736 increase in payroll costs and related benefits, partially offset by a \$14,800 decrease in outside consulting fees.

Loss on the sale of assets was \$183 in 2025 compared to a gain on the sale of assets of \$12,181 in 2024.

During the year ended December 31, 2025 we recognized goodwill and long-lived impairment of \$1,113,129 on our Energy Production sites compared to \$217,295 in 2024.

Loss from Operations

Loss from operations for the year ended December 31, 2025 was \$8,244,830 compared to a loss of \$4,534,087 in 2024, an increase in the loss from operations of \$3,710,743, or 81.8%. The increase in the net loss from operations is due to an increase in operating expenses of \$2,756,880, an increase in the goodwill and long-lived asset impairment of \$895,834 and the decrease in Services segment gross margin.

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Other Income (Expense), net

Other income, net, for the year ended December 31, 2025 was \$16,102 compared to other expense, net of \$117,118 for the same period in 2024, an increase in income of \$133,220, due to a \$200,288 increase in interest income resulting from increased cash on deposit in interest-bearing accounts, offset by a \$59,985 increase in interest expense on borrowings under our related party notes and lease financing and a \$21,763 increase in currency exchange losses.

Provision for State Income Taxes

The provision for state income taxes for the years ended December 31, 2025 and 2024 were \$20,615 and \$22,565, respectively, and represents estimated income tax payments, net of refunds, to various states.

Noncontrolling Interest

We have income and losses attributable to the non-controlling interest we have in American DG Energy's 51% owned subsidiary, ADGNY, LLC. The non-controlling interest share of ADGNY profits and losses was a loss of \$588 for the year ended December 31, 2025 compared to income of \$86,468 in 2024. The decrease in the income attributable to the non-controlling interest in the year ended December 31, 2025, is due to the expiration of a contract at one of the Energy Production sites and the temporary shutdown of a site for repairs in 2025.

Net Loss Attributable to Tecogen Inc

Net loss for the year ended December 31, 2025 was \$8,248,755 compared to a net loss of \$4,760,238 for 2024, an increase of \$3,488,517, or 73.3%. The increase in the net loss is due to an increase in operating expenses of \$2,756,880, an increase in the goodwill and long-lived asset impairment of \$895,834 and the decrease in Services segment gross margin, partially offset by increased interest income.

Net Income (Loss) Per Share

Net loss per share for the year ended December 31, 2025 was a loss of \$0.30 compared to a loss of \$0.19 per share for the same period in 2024. The basic and diluted weighted average shares outstanding for the year ended December 31, 2025 were 27,233,143 and 27,233,143, respectively. For the year ended December 31, 2024, basic and diluted shares weighted average shares outstanding were 24,861,190 and 24,861,190, respectively.

Liquidity and Capital Resources

Sources of Liquidity

During the year ended December 31, 2025, we incurred a loss from operations of \$8,244,830 compared to a loss of \$4,534,087 in the same period in 2024. For the year ended December 31, 2025 we used \$9,911,674 in cash from operations compared to \$4,060,547 in cash generated from operations in 2024, a decrease of \$13,972,221 in net cash generated by operating activities. As of December 31, 2025, we had cash and cash equivalents of \$12,430,287 compared to cash and cash equivalents of \$5,405,233 as of December 31, 2024, an increase of \$9,848,742 or 182.2%, and an accumulated deficit as of December 31, 2025, of \$55,888,649.

Recent Equity Financing

On July 21, 2025, we closed on the sale of an aggregate of 3,985,000 shares of common stock, \$0.001 par value per share ("common stock"), including an additional 485,000 shares of common stock to cover over-allotments, at a price to the public of \$5.00 per share (before deduction of underwriting discounts and commissions), in a firm commitment underwritten public offering pursuant to an underwriting agreement, dated July 18, 2025, between the Company and Roth Capital Partners, LLC, as sole underwriter and manager for the offering ("Offering"). The net proceeds from the Offering, after deducting underwriting discounts and commissions and offering expenses were approximately \$18,105,100. See "Note 1. Description of Business and Basis of Presentation " of the Notes to Condensed Consolidated Statements for additional detail on the net Offering proceeds.

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

Cash Provided by (Used in)	Years End	
	December 31, 2025	December 31, 2024
Operating activities	\$ (9,911,674)	4,060,547
Investing activities	(464,130)	(1,014,737)
Financing activities	17,400,858	1,008,153
Change in cash and cash equivalents	<u>\$ 7,025,054</u>	<u>\$ 4,053,963</u>

Consolidated working capital at December 31, 2025 was \$19,618,132, compared to \$5,329,650 at December 31, 2024, an increase of \$14,288,482 or 268.1% due to the July 21, 2025 equity financing. Included in working capital were cash and cash

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equivalents of \$12,430,287 at December 31, 2025, compared to \$5,405,233 at December 31, 2024, an increase of \$7,025,054 or 130.0%, due to July 21, 2025 equity financing proceeds which netted to \$18,105,100.

Net cash provided by or used in operating activities

For the year ended December 31, 2025 we used \$9,911,674 in cash from operations compared to \$4,060,547 in cash generated from operations in 2024, a decrease of \$13,972,221 in net cash generated by operating activities. Our accounts receivable balance decreased by \$1,682,596 at December 31, 2025 compared to December 31, 2024 and our unbilled revenues decreased by \$260,879 at December 31, 2025 compared to December 31, 2024. Our inventory increased by \$1,426,182 as of December 31, 2025 compared to December 31, 2024 and other non-current assets decreased by \$464,576 as of December 31, 2025 as compared to December 31, 2024.

Accounts payable decreased by \$761,131 from December 31, 2024 to December 31, 2025 due to our increased liquidity in the fourth quarter of 2025. Accrued expenses increased by \$76,736 as of December 31, 2025 compared to December 31, 2024 due to timing of operating expenses. Deferred revenues decreased by \$3,070,219 as of December 31, 2025 as compared to December 31, 2024, due to application of advance customer deposits collected in 2024 for Products shipments in 2025.

Net cash used in investing activities

For the year ended December 31, 2025 we used \$464,130, in cash from investing activities. We used \$400,781 of cash for purchases of property and equipment, and distributed \$67,639 to the 49% non-controlling interest holders of American DG New York LLC and received \$4,290 in proceeds from the disposition of assets, including insurance proceeds. Cash used in asset acquisition are mainly for costs incurred in 2025 for initial improvements required to the North Billerica, Massachusetts leased premises which are estimated to range between \$1,150,000 and \$1,200,000.

For the year ended December 31, 2024 we used \$1,014,737 in cash from investing activities. We used \$969,163 of cash for purchases of property and equipment, and distributed \$96,974 to the 49% non-controlling interest holders of American DG New York LLC and received \$51,400 in proceeds from the disposition of assets, including insurance proceeds. Cash used in asset acquisition are mainly for costs incurred in 2024 for initial improvements required to the North Billerica, Massachusetts leased premises.

Net cash provided by financing activities

Cash flows from financing activities for the year ended December 31, 2025 were \$17,400,858, During the year ended December 31, 2025, we received \$18,105,100 in net proceeds from our follow on equity public offering and received \$696,779 of proceeds from the exercise of stock options, we used \$1,076,956 to retire a related party note and we used \$324,065 of cash in payment of finance lease principal.

During the year ended December 31, 2024, we received proceeds of \$1,000,000 under the related party promissory notes and used \$62,847 of cash in payment of finance lease principal. and received \$71,000 of proceeds from the exercise of stock options (see Note 11."Related Party Notes").

Backlog

Our total product and installation backlog as of December 31, 2025 was \$2,522,231 compared to \$12,336,248 as of December 31, 2024. Our backlog at December 31, 2024 included an order for several chillers which were shipped in 2025 and orders for several cogeneration systems that shipped in the first quarter of 2025 to customers seeking tax credits under the Inflation Reduction Act of 2022.

Liquidity

At December 31, 2025 and 2024, we had cash and cash equivalents of \$12,430,287 and \$5,405,233, respectively, an increase of \$7,025,054 or 130.0%. During the year ended December 31, 2025, our revenues were negatively impacted due to customer order delays or deferrals; the relocation to our new facility in April 2024 which impacted product revenues during the second and third quarters of 2024; service delays due to customer facility closures, in some cases for extended periods and a reduction in our energy production revenues, due to business closures and increased remote work and learning environments.

Based on our current operating plan, we believe existing resources, including cash and cash flows from operations will be sufficient to meet our working capital requirements for the next twelve months. In order to grow our business, fund the development of our hybrid-drive air-cooled chiller, and respond to opportunities in the data center market, we expect that our cash requirements will increase and we may need to raise additional capital through a debt or equity financing to meet our need for capital to fund operations and future growth. There can be no assurance that we will be able to raise such additional financing or upon terms that are acceptable to us or at all.

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Repayment of 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, we extended the maturity date of the promissory note dated October 10, 2023 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 we were required to be issued is 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 were required to issue is 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. Both of the promissory notes with Mr. Hatsopoulos were reclassified to long-term liabilities due to the February 18, 2025 amendment.

The promissory notes were repaid in full or converted to shares of our common stock in the year ended December 31, 2025. See Note 11. "Related Party Notes" of the Notes to the Consolidated Financial Statements.

Obligations and Commitments

We are obligated under operating leases for our North Billerica, Massachusetts headquarters through February 28, 2031 and our eleven leased service centers through January 2031. Future minimum lease commitments under non-cancellable operating leases as of December 31, 2025, were \$1,543,129.

We are also obligated under finance leases for thirty-five vehicles through October 31, 2029. Future minimum finance lease payments as of December 31, 2025, were \$1,272,550.

See Note 14. "Leases".

Seasonality

We expect that the majority of our heating systems sales will be operational for the winter and the majority of our chilling systems sales will be operational for the summer. Our cogeneration sales are not generally affected by the seasons. Our service team experiences higher demand in the warmer months when cooling is required. Chiller units for space conditioning applications are generally shut down in the winter and started up again in the spring. This chiller "busy season" for the service team generally runs from May through the end of September. Chillers in indoor cultivation and other process cooling applications run year round.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Disclosure in response to this item is not required of a smaller reporting company.

Item 8. Financial Statements and Supplementary Data.

The information required by this item is incorporated by reference herein from Item 15 and pages F-1 through F-33 of this Annual Report on Form 10-K.

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

None.

Item 9A. Controls and Procedures.

Management's Evaluation of Disclosure Controls and Procedures:

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 December 31, 2025 ("Evaluation Date"), has concluded that as

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of the Evaluation Date, our disclosure controls and procedures were not effective due to a material weakness in financial reporting relating to a small number of employees dealing with general controls over information technology. Our management has decided that the expense associated with continued implementation of new systems is justified and continues to implement systems to put the proper control procedures in place to remediate this weakness.

For these purposes, the term disclosure controls and procedures of an issuer means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under Section 13(a) or 15(d) of the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's 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 its principal executive and principal accounting officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting:

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934, as amended.

Our internal control over financial reporting is a process designed 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 in the United States. Our internal controls over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Also, the assessment of the effectiveness of internal control over financial reporting was made as of a specific date. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our internal control over financial reporting based on the framework and criteria established in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion regarding this evaluation. Due to the small number of employees dealing with general controls over information technology security and user access, management believes this constitutes a material weakness in financial reporting. Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2025.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

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This annual report does not include an attestation report of our registered independent public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered independent public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report on Form 10-K.

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 have focused 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

During the year ended December 31, 2025, we implemented system access controls to address system access deficiencies and have instituted mitigating controls to address segregation of duty issues. In addition, we have implemented mitigating controls throughout our financial reporting process, allowing us to address the insufficient segregation of duties, oversight of work performed and allow us to continue to institute additional compensating or mitigating controls and will also allow us to document internal control support occurrences and approval procedures. We have instituted systems access controls and mitigating controls to system access. There are no other changes that have materially affected or are reasonably likely to materially affect 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).

Item 9B. Other Information.

Not applicable

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item is incorporated by reference from our 2026 definitive proxy statement to be filed with the SEC within 120 days following the registrant's fiscal year ended December 31, 2025.

Our Board of Directors has adopted an insider trading policy that applies to all of our officers, directors and employees. Our insider trading policy prohibits officers, directors and employees from trading in Company securities while in possession of or on the basis of material non-public information. A copy of our insider trading policy is attached as Exhibit 19.1 to this Annual Report on Form 10-K and the insider trading policy can be found on our internet website address at <http://www.tecogen.com>.

Item 11. Executive Compensation.

The information required by this Item is incorporated by reference from our 2026 definitive proxy statement to be filed with the SEC within 120 days following the registrant's fiscal year ended December 31, 2025.

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

The information required by this Item is incorporated by reference from our 2026 definitive proxy statement to be filed with the SEC within 120 days following the registrant's fiscal year ended December 31, 2025.

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

The information required by this Item is incorporated by reference from our 2026 definitive proxy statement to be filed with the SEC within 120 days following the registrant's fiscal year ended December 31, 2025.

Item 14. Principal Accountant Fees and Services.

The information required by this Item is incorporated by reference from our 2026 definitive proxy statement to be filed with the SEC within 120 days following the registrant's fiscal year ended December 31, 2025.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

The following are filed as part of this Annual Report on Form 10-K.

(a) Index to Financial Statements and Financial Statement Schedules

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2025 and 2024

Consolidated Statements of Operations for the years ended December 31, 2025 and 2024

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2025 and 2024

Consolidated Statements of Cash Flows for the years ended December 31, 2025 and 2024

Notes to Audited Consolidated Financial Statements

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions, or are inapplicable, and therefore have been omitted.

(b) Exhibits

The exhibits are listed in the Exhibit Index attached hereto and incorporated by reference herein.

Item 16. Form 10-K Summary.

The Company has determined not to include a summary of the information permitted by Item 16 of the Form 10-K.

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EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of November 1, 2016, by and among Tecogen Inc, American DG Energy Inc. and ADGE.Tecogen Merger Sub Inc. incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the SEC on November 2, 2016.
2.2	Amendment 1 to the Agreement and Plan of Merger, dated as of March 23, 2017, by and among Tecogen Inc., American DG Energy Inc., and ADGE.Tecogen Merger Sub Inc. incorporated herein by reference to Exhibit 2.2 to the registrant's Current Report on Form 8-K filed with the SEC on March 24, 2017.
3.1	Amended and Restated Certificate of Incorporation incorporated herein by reference to Exhibit 3.1 to Amendment No. 3 to the registrant's Registration Statement on Form S-1 (Registration No. 333-193791) filed with the SEC on June 27, 2014.
3.2	Amended and Restated Bylaws incorporated herein by reference to Exhibit 3.2 Amendment No. 3 to the registrant's Registration Statement on Form S-1 (Registration No. 333-193791) filed with the SEC on June 27, 2014.
10.1	Specimen Common Stock Certificate of Tecogen Inc. incorporated herein by reference to Exhibit 4. to the registrant's Amendment No. 3 to the registrant's Registration Statement on Form S-1 (Registration No. 333-193791) filed with the SEC on June 27, 2014.
10.2+	Form of Stock Option Agreement incorporated by reference to exhibit 4.3 to Amendment No. 3 to the registrant's Registration Statement on Form S-1 (Registration No. 333-193791) filed with the SEC on June 27, 2014.
10.3	Description of Registrant's Securities incorporated herein by reference to Exhibit 4.4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 12, 2020.
10.4	Form of Non-Qualified Stock Option Award Agreement (Employee Form) under the registrant's 2022 Stock Incentive Plan filed with the registrant's Current Report on Form 8-K filed with the SEC on March 9, 2022.
10.5	Form of Incentive Stock Option Award Agreement under the registrant's 2022 Stock Incentive Plan filed with the registrant's Current Report on Form 8-K filed with the SEC on March 9, 2022.
10.6	Form of Restricted Stock Award Agreement under registrant's 2022 Stock Incentive Plan filed with the registrant's Current Report on Form 8-K filed with the SEC on March 9, 2022.
10.7	Form of Non-Qualified Stock Option Award Agreement (Non-Employee Director Form) under the registrant's 2022 Stock Incentive Plan filed with the registrant's Current Report on Form 8-K filed with the SEC on March 9, 2022.
10.8+	Tecogen Inc. 2006 Stock Incentive Plan, as amended and restated on November 1, 2016 incorporated herein by reference to Exhibit 10.1 to the registrant's Annual Report on Form 10-K, for the year ended December 31, 2017, filed with the SEC on March 21, 2018.
10.9+	Tecogen Inc. 2022 Stock Incentive Plan adopted as of March 8, 2022 incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on March 9, 2022.
10.10#	Exclusive License Agreement between Tecogen Inc. and the Wisconsin Alumni Research Foundation, dated February 5, 2007 incorporated herein by reference to Exhibit 10.13 to Amendment No. 3 to the registrant's Registration Statement on Form S-1 (Registration No. 333-193791), filed with the SEC on June 27, 2014.
10.11+	Advisory Agreement, dated January 3, 2018, between Tecogen Inc. and John N. Hatsopoulos incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on January 8, 2018.
10.12	Letter Agreement dated July 22, 2019, amending Advisory Agreement, dated January 3, 2018, between registrant and John N. Hatsopoulos incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on July 24, 2019.
10.13	Facilities and Support Services Agreement between American DG Energy Inc. and Tecogen Inc., dated August 8, 2014, incorporated herein by reference to Exhibit 10.1 to American DG Energy Inc.'s Quarterly Report on Form 10-Q (No. 001-34493) filed with the SEC on August 14, 2014.
10.14	First Amendment to the Facilities and Support Services Agreement between American DG Energy Inc. and Tecogen Inc., dated August 7, 2015, incorporated herein by reference to Exhibit 10.1 to American DG Energy Inc.'s Current Report on Form 8-K (No. 001-34493) filed with the SEC on August 13, 2015.
10.15	Guaranty Agreement by registrant in favor of CogenOne LLC and SDCL TG Cogen LLC, dated December 14, 2018, incorporated herein by reference to Exhibit 10.49 to the registrant's Current Report on Form 8-K filed with the SEC on March 8, 2019.
10.16	Membership Interest Purchase Agreement by and among SDCL TG Cogen LLC, American DG Energy Inc., and registrant, dated as of March 5, 2019, incorporated herein by reference to Exhibit 10.50 to the registrant's Current Report on Form 8-K filed with the SEC on March 8, 2019.

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10.17	Guaranty Agreement by registrant in favor of CogenTwo LLC and SDCL TG Cogen LLC, dated March 5, 2019, incorporated herein by reference to Exhibit 10.51 to the registrant's Current Report on Form 8-K filed with the SEC on March 8, 2019.
10.18	Billing and Asset Management Agreement by and among CogenOne LLC and the registrant, as amended and restated as of March 5, 2019, incorporated herein by reference to Exhibit 10.52 to the registrant's Current Report on Form 8-K filed with the SEC on March 8, 2019.
10.19	Amended and Restated Billing and Asset Management Agreement by and among CogenTwo LLC and the registrant, dated March 5, 2019, incorporated herein by reference to Exhibit 10.53 to the registrant's Current Report on Form 8-K filed with the SEC on March 8, 2019.
10.20+	Tecogen Change in Control Severance Benefit Plan, dated July 9, 2020, incorporated herein by reference to Exhibit 99.01 to the registrant's Current Report on Form 8-K filed with the SEC on July 21, 2020.
10.21+	Tecogen Inc. Policy Regarding Compensation of Non-Employee Directors filed with the Current Report on Form 8-K filed with the SEC on March 9, 2022.
10.22	Note Subscription Agreement dated October 9, 2023 by John H. Hatsopoulos, incorporated herein by reference to Exhibit 99.01 to the registrant's Current Report on Form 8-K filed with the SEC on October 10, 2023.
10.23	Note Subscription Agreement dated October 9, 2023 by Earl R. Lewis, incorporated herein by reference to Exhibit 99.02 to the registrant's Current Report on Form 8-K filed with the SEC on October 10, 2023.
10.24	Letter agreement regarding the Note Subscription Agreement by John N. Hatsopoulos, dated March 21, 2024, incorporated by reference to Exhibit 10.27 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC on March 18, 2025.
10.25	Amendment to Tecogen Promissory Notes with dated as of February 18, 2025 with John H. Hatsopoulos, incorporated by reference to Exhibit 99.01 to the registrant's Current Report of Form 8-K filed with the SEC on February 19, 2025.
10.26	Agreement Regarding the Assignment of Certain Maintenance Agreements, the Purchase and Sale of Certain Assets, and Related Matters with Aegis Energy Services LLC, incorporated by reference to Exhibit 99.01 to the registrant's Current Report on Form 8-K filed with the SEC on March 16, 2023.
10.27	Amendment to the Agreement Regarding Assignment of Certain Maintenance Agreements dated as of March 15, 2023 with Aegis Energy Services, LLC, incorporated by reference to Exhibit 99.01 to the registrant's Current Report of Form 8-K filed with the SEC on February 2, 2024.
10.28	Second Amendment to the Agreement Regarding Assignment of Certain Maintenance Agreements dated as of May 1, 2024 with Aegis Energy Services, LLC, incorporated by reference to Exhibit 99.01 to the registrant's Current Report on Form 8-K filed with the SEC on May 3, 2024.
10.29	Sales and Marketing Agreement effective as of March 1, 2025 by and between Vertiv Corporation and Tecogen relating to Tecogen DTx chillers for cooling applications in data centers, incorporated herein by reference to Exhibit 99.01 to the registrant's Current Report on Form 8-K filed with the SEC on March 3, 2025. (portion omitted)
10.30	Underwriting Agreement, dated July 18, 2025 by and between Tecogen Inc. and Roth Capital Partners, LLC, incorporated by reference to Exhibit 1.1 to the registrants Current Report on Form 8-K filed with the SEC on July 18, 2025.
10.31	Policies and Procedures Governing Related Persons Transactions is incorporated by reference to Exhibit 10.24 to the registrants Form S-1 Registration Statement under the Securities Act of 1933 filed with the SEC on July 15, 2025.
19.1	Tecogen Policy Regarding Insider Trading is incorporated by reference Exhibit 19.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC on March 18, 2025.
21.1	List of subsidiaries incorporated by reference to Exhibit 21.1 to the registrants Post-Effective Amendment No. 1 to Form S-3 on Form S-1 Registration Statement Under the Securities Act of 1933, filed with the SEC on March 12, 2021.
23.1*	Consent of Wolf & Company, P.C.
24.1*	Power of Attorney (included on Signature pages of this Annual Report on Form 10-K)
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.
31.2*	Certification of Chief Financial 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 pursuant to 18 U.S.C. 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1	Policy for Recovery of Erroneously Awarded Incentive Compensation is incorporated by reference to Exhibit 10.25 to the registrants Form S-1 Registration Statement under the Securities Act of 1933 filed with the SEC on July 15, 2025.
101.INS*	XBRL Instance Document

TECOGEN INC.

101.SCH* XBRL Taxonomy Extension Schema
101.CAL* XBRL Taxonomy Extension Calculation Linkbase
101.DEF* XBRL Taxonomy Extension Definition Linkbase
101.LAB* XBRL Taxonomy Extension Label Linkbase
101.PRE* XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

Confidential Treatment has been granted for portions of this document. The confidential portions were omitted and filed separately, on a confidential basis, with the Securities and Exchange Commission.

+ Management contract or compensatory plan or agreement.

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, thereunto duly authorized.

TECOGEN INC.
(Registrant)

Dated: March 19, 2026

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

Dated: March 19, 2026

By: /s/ Roger P. Deschenes
Chief Financial and Accounting Officer
(Principal Financial and Accounting Officer)

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Abinand Rangesh and Roger P. Deschenes, or either of them, with the power of substitution and re-substitution, as his or her attorney-in-fact and agent, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K for the year ended December 31, 2025, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Angelina M. Galiteva</u> Angelina M. Galiteva	Director, Chairperson of the Board	March 19, 2026
<u>/s/ John N. Hatsopoulos</u> John N. Hatsopoulos	Lead Director	March 19, 2026
<u>/s/ Abinand Rangesh</u> Abinand Rangesh	Director and Chief Executive Officer (Principal Executive Officer)	March 19, 2026
<u>/s/ Ahmed F. Ghoniem</u> Ahmed F. Ghoniem	Director	March 19, 2026
<u>/s/ Earl R. Lewis III</u> Earl R. Lewis III	Director	March 19, 2026
<u>/s/ Susan F. Hirsch</u> Susan Hirsch	Director	March 19, 2026
<u>/s/ John M. Albertine</u> John M. Albertine	Director	March 19, 2026
<u>/s/ Roger P. Deschenes</u> Roger P. Deschenes	Chief Financial and Accounting Officer (Principal Financial and Accounting Officer)	March 19, 2026

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Tecogen Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Tecogen Inc. (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of operations, stockholders' equity, and cash flows, for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matters

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

Goodwill: Energy Production Impairment

Critical Accounting Matter Description

As discussed in Note 10 to the financial statements, the Company performed a quantitative goodwill impairment test for the Energy Production reporting unit using a discounted cash flow approach which resulted in a charge to goodwill of \$1,057,254. In determining the goodwill, the Company estimates the fair value of assets acquired, and liabilities assumed as of the acquisition date of each business combination and records the related goodwill in the applicable reporting unit. Goodwill is not amortized but is evaluated annually for impairment. Critical estimates used in valuing assets include but are not limited to future expected cash flows from energy production, estimated operating costs as well as discount rates. We determined that performing procedures relating to management's estimate of goodwill is a critical audit matter.

The principal considerations for our determination are (i) the application of significant judgment and estimation on the part of management, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures and evaluating audit evidence obtained, and (ii) significant audit effort was necessary in evaluating management's analysis, significant assumptions and calculations.

How the Critical Audit Matter Was Addressed in the Audit

Addressing the above matters involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, the following:

- We obtained management's forecasts of discounted cash flows, and assumptions including profitability, weighted average cost of capital, estimated utility rate fluctuations and contract end dates utilized in developing such forecasts.
- We evaluated management's forecasts and key assumptions utilized to arrive at the estimated fair value.
- We performed sensitivity analysis of management's forecasts and key assumptions used to arrive at the estimated fair value.

We compared the fair value determined using the discounted cash flow approach to the carrying amounts of the reporting unit and determined that carrying amount of the Energy Production reporting unit, including goodwill, exceeded the fair value and impairment was appropriately recognized.

/s/ WOLF & COMPANY, P.C.

PCAOB ID 392

We have served as the Company's auditor since 2014.

Boston, Massachusetts

March 19, 2026

TECOGEN INC.

CONSOLIDATED BALANCE SHEETS
As of December 31, 2025 and 2024

ASSETS	2025	2024
Current Assets		
Cash and cash equivalents	\$ 12,430,287	\$ 5,405,233
Accounts receivable, net	4,280,991	6,026,545
Unbilled revenue	138,020	398,898
Inventory, net	10,949,697	9,634,005
Prepaid and other current assets	1,086,310	680,565
Total current assets	28,885,305	22,145,246
Property, plant and equipment, net	1,609,321	1,738,036
Right of use assets - operating leases	1,490,094	1,730,358
Right of use assets - finance leases	1,434,080	452,390
Intangible assets, net	2,146,503	2,513,189
Goodwill	1,248,442	2,346,566
Other assets	176,358	166,474
TOTAL ASSETS	\$ 36,990,103	\$ 31,092,259
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Related party notes payable	\$ —	\$ 1,548,872
Accounts payable	3,381,545	4,142,678
Accrued expenses	2,814,150	2,890,886
Deferred revenue, current	1,530,977	6,701,131
Operating lease obligations, current	538,641	430,382
Finance lease obligations, current	280,265	85,646
Acquisition liabilities, current	677,162	902,552
Unfavorable contract liabilities, current	44,433	113,449
Total current liabilities	9,267,173	16,815,596
Long-term liabilities:		
Deferred revenue, net of current portion	3,265,886	1,165,951
Operating lease obligations, net of current portion	1,004,488	1,341,789
Finance lease obligations, net of current portion	992,285	325,235
Acquisition liabilities, net of current portion	826,757	1,008,760
Unfavorable contract liability, net of current portion	160,902	309,390
Total liabilities	15,517,491	20,966,721
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Tecogen Inc. stockholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 29,846,479 issued and outstanding at December 31, 2025 and 24,950,261 shares issued and outstanding at December 31, 2024	29,847	24,950
Additional paid-in capital	78,216,467	57,845,289
Unearned compensation	(712,019)	—
Accumulated deficit	(55,888,649)	(47,639,894)
Total Tecogen Inc. stockholders' equity	21,645,646	10,230,345
Noncontrolling interest	(173,034)	(104,807)
Total stockholders' equity	21,472,612	10,125,538
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 36,990,103	\$ 31,092,259

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

TECOGEN INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2025 and 2024

	2025	2024
Revenues		
Products	\$ 9,133,450	\$ 4,443,996
Services	16,616,523	16,074,870
Energy production	1,323,737	2,100,670
Total revenues	<u>27,073,710</u>	<u>22,619,536</u>
Cost of sales		
Products	6,097,501	3,014,655
Services	10,202,774	8,432,876
Energy production	948,927	1,301,832
Total cost of sales	<u>17,249,202</u>	<u>12,749,363</u>
Gross profit	<u>9,824,508</u>	<u>9,870,173</u>
Operating expenses:		
General and administrative	13,522,035	11,356,406
Selling	2,267,247	1,880,903
Research and development	1,166,744	961,837
Loss (gain) on sale of assets	183	(12,181)
Long-lived asset impairment	15,005	—
Goodwill impairment	1,098,124	217,295
Total operating expenses	<u>18,069,338</u>	<u>14,404,260</u>
Loss from operations	<u>(8,244,830)</u>	<u>(4,534,087)</u>
Other income (expense)		
Interest and other income (expense)	151,711	(26,814)
Interest expense	(150,289)	(90,304)
Gain on the sale of marketable securities	3,687	—
Unrealized gain on marketable securities	10,993	—
Total other expense, net	<u>16,102</u>	<u>(117,118)</u>
Loss before income taxes	<u>(8,228,728)</u>	<u>(4,651,205)</u>
State income tax provision	<u>20,615</u>	<u>22,565</u>
Consolidated net loss	<u>(8,249,343)</u>	<u>(4,673,770)</u>
Loss (income) attributable to the noncontrolling interest	<u>588</u>	<u>(86,468)</u>
Net loss attributable to Tecogen Inc.	<u>\$ (8,248,755)</u>	<u>\$ (4,760,238)</u>
Net loss per share - basic	<u>\$ (0.30)</u>	<u>\$ (0.19)</u>
Weighted average shares outstanding - basic	<u>27,233,143</u>	<u>24,861,190</u>
Net loss per share - diluted	<u>\$ (0.30)</u>	<u>\$ (0.19)</u>
Weighted average shares outstanding - diluted	<u>27,233,143</u>	<u>24,861,190</u>

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

TECOGEN INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2025 and 2024

	Common Stock Shares	Common Stock \$0.001 Par Value	Additional Paid-In Capital	Accumulated Deficit	Unearned Compensation	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
Exercise of stock options	100,000	100	70,900	—	—	—	71,000
Stock-based compensation expense	—	—	172,987	—	—	—	172,987
Distributions to non-controlling interest	—	—	—	—	—	(96,974)	(96,974)
Net (loss) income	—	—	—	(4,760,238)	—	86,468	(4,673,770)
Balance at December 31, 2024	<u>24,950,261</u>	<u>24,950</u>	<u>57,845,289</u>	<u>(47,639,894)</u>	<u>—</u>	<u>(104,807)</u>	<u>10,125,538</u>
Follow-on offering, net of transaction costs	3,985,000	3,985	18,101,115	—	—	—	18,105,100
Issuance of restricted stock awards	95,808	96	799,901	—	(799,997)	—	—
Exercise of stock options	575,154	576	696,203	—	—	—	696,779
Related party note conversion to common stock	240,256	240	513,908	—	—	—	514,148
Distributions to non-controlling interest	—	—	—	—	—	(67,639)	(67,639)
Stock-based compensation expense	—	—	260,051	—	87,978	—	348,029
Net loss	—	—	—	(8,248,755)	—	(588)	(8,249,343)
Balance at December 31, 2025	<u>29,846,479</u>	<u>\$ 29,847</u>	<u>\$ 78,216,467</u>	<u>\$ (55,888,649)</u>	<u>\$ (712,019)</u>	<u>\$ (173,034)</u>	<u>\$ 21,472,612</u>

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

TECOGEN INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated loss	\$ (8,249,343)	\$ (4,673,770)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation, accretion and amortization, net	877,675	553,783
Loss (gain) on sale of assets	183	(12,181)
Provision for credit losses	62,958	146,010
Provision for inventory reserve	110,488	70,530
Unrealized gain on marketable securities	(10,993)	—
Gain on the sale of marketable securities	(3,687)	—
Stock-based compensation	348,029	172,987
Goodwill and long-lived asset impairment	1,113,129	217,295
Non-cash interest expense	43,476	45,025
<i>Changes in operating assets and liabilities:</i>		
(Increase) decrease in:		
Accounts receivable	1,682,596	608,929
Inventory, net	(1,426,182)	848,884
Unbilled revenue	260,879	859,634
Prepaid expenses and other current assets	(405,745)	(319,926)
Other non-current assets	464,576	510,723
Increase (decrease) in:		
Accounts payable	(761,131)	(371,736)
Accrued expenses	(76,736)	386,257
Deferred revenue	(3,070,219)	5,850,265
Other current liabilities	(871,627)	(832,162)
Net cash provided by (used in) operating activities	<u>(9,911,674)</u>	<u>4,060,547</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(400,781)	(969,163)
Proceeds on sale of property and equipment	4,290	51,400
Distributions to noncontrolling interest	(67,639)	(96,974)
Net used in investing activities	<u>(464,130)</u>	<u>(1,014,737)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from follow-on offering, net of transaction costs	18,105,100	—
(Repayment of) proceeds from related party note	(1,076,956)	1,000,000
Finance lease principal payments	(324,065)	(62,847)
Proceeds from exercise of stock options	696,779	71,000
Net cash provided by financing activities	<u>17,400,858</u>	<u>1,008,153</u>
Change in cash and cash equivalents	7,025,054	4,053,963
Cash and cash equivalents, beginning of the year	5,405,233	1,351,270
Cash and cash equivalents, end of the year	<u>\$ 12,430,287</u>	<u>\$ 5,405,233</u>

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 183,354	\$ 45,278
Cash paid for taxes	\$ 20,615	\$ 22,565
Non-cash investing activities		
Right-of-use assets acquired under operating leases	\$ 193,480	\$ 1,650,994
Right-of-use assets acquired under finance leases	\$ 1,227,447	\$ 295,085
Aegis acquisition:		
Contingent consideration	—	272,901
Non-cash financing activities		
Related party note conversion to common stock	\$ 514,148	\$ —

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

TECOGEN INC.

Notes to Audited Consolidated Financial Statements for December 31, 2025 and 2024

Note 1. Nature of Business and Operations

Tecogen Inc., a Delaware corporation (together with its subsidiaries "we", "our", "us", "Tecogen," or "Company"), 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 customer 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.

On April 30, 2025, we announced that our shares of common stock had been 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."

On July 21, 2025, we closed on the sale of an aggregate of 3,985,000 shares of common stock, \$0.001 par value per share ("Common Stock"), including an additional 485,000 shares of common stock to cover over-allotments, at a price to the public of \$5.00 per share (before deduction of underwriting discounts and commissions), in a firm commitment underwritten public offering pursuant to an underwriting agreement, dated July 18, 2025 between the Company and Roth Capital Partners, LLC as sole underwriter and manager for the offering ("Offering"). The net proceeds from the Offering, after deducting underwriting discounts and commissions and offering expenses were approximately \$18,105,100. The net Offering proceeds were as follows:

Gross proceeds	\$	19,925,000
Transaction Costs		
Underwriters discounts and commissions		1,394,750
Legal fees		256,557
Assurance		83,000
Original listing fee		75,000
Filing and other fees		10,593
Total transaction costs		1,819,900
Net offering proceeds	\$	18,105,100

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation and 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 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/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/loss. The same methodology is used to determine quarterly distributions of available cash to the noncontrolling interest partner. On our balance sheet, noncontrolling interest

TECOGEN INC.

Notes to Audited Consolidated Financial Statements for December 31, 2025 and 2024

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 December 31, 2025.

Noncontrolling interests in the net assets and operations of ADGNY are reflected in the caption "Noncontrolling interest" in the accompanying consolidated financial statements. All intercompany transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Concentration of Credit Risk

Financial instruments that expose us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. We maintain our cash balances in bank accounts, which at times may exceed the Federal Deposit Insurance Corporation's ("FDIC") general deposit insurance limits. The amount on deposit at December 31, 2025 and 2024 which exceeded the \$250,000 federally insured limit were approximately \$0 and \$4,954,395, respectively. At December 31, 2025 our funds on deposit in a money market account with our primary bank have been placed by the bank, as agent and custodian, in deposit accounts through IntraFi Cash Service. Funds in our deposit accounts at the FDIC-insured institutions at which our funds have been placed are "deposits," as defined by federal law. Certain conditions must be satisfied for "pass-through" FDIC deposit insurance coverage to apply. To meet the conditions for pass-through FDIC deposit insurance, deposit accounts at FDIC-insured banks in IntraFi's network that hold deposits placed using an IntraFi service are titled, and deposit account records are maintained, in accordance with FDIC regulations for pass-through coverage. We have not experienced any losses in such accounts and thus believe that we are not exposed to any significant credit risk on cash.

There was one customer who represented 15% of revenues for the year ended December 31, 2025 and no customer represented more than 10% of revenues in the year ended December 31, 2024. There was one customer who represented 11% of the accounts receivable balance as of December 31, 2025, and one customer who represented 14% of the accounts receivable balance as of December 31, 2024.

Cash and Cash Equivalents

We consider all highly liquid instruments with an original maturity date of three months or less when purchased to be cash and cash equivalents. We have cash balances in certain financial institutions in amounts which occasionally exceed current FDIC limits. The financial stability of these institutions is continually reviewed by senior management. We believe that we are not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

On January 1, 2023, we adopted ASU 2016-13, *Financial Instruments, Credit Losses (Topic 326)*. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The allowance for credit losses is estimated based on historical experience, aging of the receivable, the counterparty's ability to pay, condition of general economy and industry, and combined with management's estimate of current conditions, reasonable and supportable forecasts of future losses to determine estimated credit losses in our evaluation of outstanding accounts receivable at the end of the year. The allowance for credit losses reflects management's evaluation of our outstanding accounts receivable at the end of the year and our best estimate of probable losses inherent in the accounts receivable balance. Accounts receivable deemed uncollectible are charged against the allowance for credit losses when identified. Our provision for credit losses decreased to \$62,958 in the year ended December 31, 2025, compared to \$146,010 in the year ended December 31, 2024, due to the write down of certain install receivables which were deemed uncollectible in the year ended December 31, 2024. At December 31, 2025 and 2024, the allowance for credit losses was \$389,079 and \$295,932, respectively.

Inventory

Raw materials, work in process, and finished goods inventories are stated at the lower of cost, as determined by the average cost method, or net realizable value. We periodically review inventory quantities on hand for excess and/or obsolete inventory based primarily on historical usage, as well as based on estimated forecast of product demand and anticipated usage. Any reserves that result from this review are charged to cost of sales.

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Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset, which range from three to fifteen years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or the term of the related leases. Expenditures for maintenance and repairs are expensed, while renewals and betterments that materially extend the life of an asset are capitalized.

We review our property, plant and equipment for potential impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be fully recoverable or that the useful lives of the assets are no longer appropriate. We evaluate the recoverability of our long-lived assets when impairment is indicated by comparing the net book value of the asset group to the estimated future undiscounted cash flows attributable to such assets. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than the carrying value of the assets, the assets will be written down to the estimated fair value and such loss is recognized in income from continuing operations in the period in which the determination is made. If impairment is indicated, the asset is written down to its estimated fair value.

Intangible Assets

Intangible assets subject to amortization include costs incurred by us to acquire product certifications, certain patent costs, developed technologies, and customer contracts. These costs are amortized on a straight-line basis over the estimated economic life of the intangible asset. Indefinite life intangible assets such as trademarks are recorded at cost and not amortized.

The favorable contract asset which relates to existing ADGE customer contracts is more fully described in Note 8. "Intangible Assets and Liabilities other than Goodwill". Customer contracts are more fully described in Note 5. "Aegis Contract and Related Asset Acquisition".

Impairment of Long-lived Assets

Long-lived assets, including intangible assets and property, plant and equipment, are evaluated for impairment whenever events or changes in circumstances have indicated that an asset may not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than the carrying value of the assets, the assets will be written down to the estimated fair value and such loss is recognized in income from continuing operations in the period in which the determination is made. Management determined that an impairment \$15,005 of long-lived assets existed as of December 31, 2025 and no impairment existed as of December 31, 2024. For the year ended December 31, 2025 we recorded impairment of long-lived assets as follows:

Year Ended	December 31, 2025
Energy production asset impairment	\$ 119,060
Energy production reversal of unfavorable contract liability	(104,055)
Long-lived asset impairment	<u>\$ 15,005</u>

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 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

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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.

Goodwill

Goodwill is the excess of the fair value of consideration paid for businesses over the fair value of the identifiable net assets acquired. Impairment testing for goodwill is performed annually, generally in the fourth fiscal quarter, or more frequently if impairment indicators are present.

To determine if goodwill is potentially impaired, we have the option to perform a qualitative assessment. However, we may elect to bypass the qualitative assessment and perform an impairment test even if no indications of a potential impairment exist. The impairment test for goodwill is performed at the reporting unit level and compares the fair value of the reporting unit (calculated using a discounted cash flow method) to its carrying value, including goodwill. The discount rate represents our estimate of the weighted-average cost of capital, or expected return, that a marketplace participant would have required as of the valuation date. If the carrying value exceeds the fair value, an impairment charge is recorded for the excess carrying value over fair value, limited to the total amount of goodwill of that reporting unit. At December 31, 2025, we assessed goodwill impairment of our energy production reporting unit, our Aegis service maintenance contracts reporting unit and our Product segment.

We used a discounted cash flow approach to develop the estimated fair value of each reporting unit. Management judgment is required in developing the assumptions for the discounted cash flow model. The discount rate, profitability assumptions, and terminal growth rate assumptions of the Energy Production unit utilized in the discounted cash flow model used to estimate its fair value are specific to the Energy Production unit, which the discount rate, profitability assumptions, and terminal growth rate assumptions utilized for the Aegis service maintenance reporting unit are specific to the Aegis service maintenance reporting. An impairment would be recorded if the carrying amount of a reporting unit including goodwill exceeded the estimated fair value. Based on the aforementioned analysis, our assessment in December 31, 2025 indicated that the carrying value of our energy production reporting unit exceeded their fair value and therefore goodwill was impaired. We recorded a goodwill impairment charge of \$1,057,254 in our consolidated statements of operations. Our assessment of the Aegis service maintenance contracts reporting unit, at December 31, 2025, indicated that the carrying value of the service maintenance contracts did not exceed their fair value and therefore goodwill was not impaired. (see Note 10."Goodwill"). In addition we determined, based on an analysis our Product segment, that goodwill was impaired and recorded a goodwill impairment charge of \$40,870 in our consolidated statements of operations.

We test goodwill for impairment on either a qualitative basis under certain conditions, or a quantitative basis. On a quantitative basis, fair value of the reporting units is primarily determined using a probability weighted discounted cash flow analysis.

Acquisition-Related Contingent Consideration

Acquisition-related contingent consideration, which primarily consists of contingent consideration payable obligations, equal to a percentage of the revenue collected for maintenance services pursuant to the Aegis contract and related asset acquisitions, was recorded in the Consolidated Balance Sheets at its acquisition date estimated fair value, in accordance with the acquisition method of accounting. The fair value of the acquisition-related contingent consideration is remeasured each reporting period, with changes in fair value recorded in the Consolidated Statements of Operations. The fair value measurement of contingent consideration obligations arising from business combinations is determined via a probability-weighted discounted cash flow analysis, using unobservable (Level 3) inputs. These inputs may include: (i) the estimated amount and timing of projected cash flows, (ii) the probability of the achievement of the factor(s) on which the contingency is based and (iii) the risk-adjusted discount rate used to present value the probability-weighted cash flows. Significant increases or decreases in any of those inputs in isolation could result in a significantly higher or lower fair value measurement.

Leases

On January 1, 2019, we adopted the guidance under ASU No. 2016-02, "Leases" ("ASC 842"). ASC 842 requires lessees to recognize most leases on their balance sheets as a right-of-use ("ROU") asset with a corresponding lease liability. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the expected lease term. See Note 14."Leases".

Income (loss) per Common Share

We compute basic income (loss) per share by dividing net income (loss) for the period by the weighted-average number of shares of common stock outstanding during the period. We compute our diluted earnings (loss) per common share using the treasury stock method. For purposes of calculating diluted earnings per share, we consider our shares issuable in

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connection with convertible debentures, stock options and warrants to be dilutive common stock equivalents when the exercise/conversion price is less than the average market price of our common stock for the period.

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 assess performance of our segments. See Note 18. "Segments" for a reconciliation of segment profit to income from operations.

Income Taxes

We use the asset and liability method of accounting for income taxes. The current or deferred tax consequences of transactions are measured by applying the provisions of enacted tax laws to determine the amount of taxes payable currently or in future years. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities and expected future tax consequences of events that have been included in the financial statements or tax returns using enacted tax rates in effect for the years in which the differences are expected to reverse. Under this method, a valuation allowance is used to offset deferred taxes if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets may not be realized. Management evaluates the recoverability of deferred taxes and the adequacy of the valuation allowance annually.

We have adopted the provisions of the accounting standards relative to accounting for uncertainties in tax positions. These provisions provide guidance on the recognition, derecognition and measurement of potential tax benefits associated with tax positions. We elected to recognize interest and penalties related to income tax matters as a component of income tax expense in the statements of operations. We have analyzed our current tax return compliance positions and determined that no uncertain tax positions have been taken that would require recognition.

With few exceptions, we are no longer subject to possible income tax examinations by federal, state or local taxing authorities for tax years before 2022, with the exception of loss carryforwards in the event they are utilized in future years. Our tax returns are open to adjustment from 2002 forward, as a result of the fact that we have loss carryforwards from those years, which may be adjusted in the year those losses are utilized.

Fair Value of Financial Instruments

Our financial instruments are cash and cash equivalents, accounts receivable, available-for-sale securities and accounts payable. The recorded values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values based on their short-term nature. See Note 16. "Fair Value Measurements".

Revenue Recognition

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 a sales transaction are recorded in revenue for goods shipped and were \$243,185 and \$96,890, for the years ended December 31, 2025 and 2024, respectively. The related shipping and handling costs incurred are accounted for as fulfillment activities and are recognized as cost of goods sold when control of the product transfers to the customer, which were \$120,883 and \$59,331, for the years ended December 31, 2025 and 2024, respectively. The costs of inbound freight is recorded in general and administrative expenses. For the years ended December 31, 2025 and 2024, \$618,051 and \$248,229 of shipping and handling costs were included in general and administrative expenses in the accompanying consolidated statements of operations, respectively. We elected to exclude from revenue any value-add sales and other taxes which we collect concurrent with revenue-producing activities. These accounting policy elections are consistent with the manner in which we have historically recorded shipping and handling fees and taxes. Incremental costs incurred by us in obtaining a contract with a customer are negligible, if any, and are expensed ratably in proportion to the related revenue recognized.

Advertising Costs

We expense the costs of advertising as incurred. For the years ended December 31, 2025 and 2024, advertising expense was approximately \$131,000 and \$74,000, respectively.

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Research and Development Costs

Research and development expenditures are expensed as incurred. Our total research and development expenditures were approximately \$1,167,000 and \$962,000 for the years ended December 31, 2025 and 2024, respectively.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as an expense in the statements of operations over the requisite service period.

The determination of the fair value of share-based payment awards is affected by our stock price. For the awards issued prior to our being publicly traded, we considered the sales price of the common stock in private placements to unrelated third parties as a measure of the fair value of our common stock.

We utilize actual forfeitures when calculating the expense for the period. Stock-based compensation expense recognized is based on awards that are ultimately expected to vest. We evaluate the assumptions used to value awards regularly and if factors change and different assumptions are employed, stock-based compensation expense may differ significantly from what has been recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense.

See Note 15."Stockholders' Equity" for a summary of the restricted stock and stock option activity under our stock-based employee compensation plans for the years ended December 31, 2025, and 2024.

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.

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

	Years Ended	
	December 31, 2025	December 31, 2024
Products:		
Cogeneration	\$ 3,073,582	\$ 2,677,930
Chiller	5,658,183	1,647,374
Engineered Accessories	401,685	118,692
Total Products Revenue	<u>9,133,450</u>	<u>4,443,996</u>
Services	16,616,523	16,074,870
Energy production	<u>1,323,737</u>	<u>2,100,670</u>
Total revenue	<u>\$ 27,073,710</u>	<u>\$ 22,619,536</u>

Products Segment

Our Product 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 the customer takes ownership of the product. Payment terms on product sales are generally 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

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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 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. Payment terms for maintenance services are generally 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 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 consolidated balance sheets.

We did not recognize any revenue during the year ended December 31, 2025 that was included in the unbilled revenue receivable as of December 31, 2025.

Revenue recognized during the year ended December 31, 2025 that was included in deferred revenue at the beginning of the period was \$6,303,738.

Remaining Performance Obligations

Remaining performance obligations related to ASC 606 represent the aggregate transaction price allocated to performance obligations with an original contract term 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 bill customers. Remaining performance obligations therefore consist of unsatisfied or partially satisfied performance obligations related to fixed price maintenance contracts and installation contracts.

As of December 31, 2025, the aggregate amount of the transaction price allocated to remaining unsatisfied performance obligations was approximately \$4,796,863. We expect to recognize revenue of approximately 36% of the remaining performance obligations over the next 24 months, 32% recognized in the first 12 months and 4% recognized over the subsequent 12 months, and the remainder recognized thereafter.

Significant New Accounting Standards Adopted this Period

Income Taxes (Topic 740) - Improvements to Income Tax Disclosures. 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. The amendments in this Update are effective for annual periods beginning after December 15, 2024, and interim periods within those annual periods for public entities. For all other entities, the amendments are effective for annual periods beginning after December 15, 2025, and interim periods within those annual periods. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. We do not issue profits interest awards, and therefore, 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 appropriate 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.

Recently Issued Accounting Pronouncements

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 U.S. 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.

Financial Instruments - Credit Losses Topic (326). In July 2025, the Financial Accounting Standards Board issued ASU 2025-05, *Financial Instruments-Credit Losses (Topic 326) - Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This update is intended to address challenges encountered when applying the guidance of *Topic 326, Financial Instruments-Credit Losses* to accounts receivable and current contract assets arising from transactions accounted for under *Topic 606, Revenue from Contracts with Customers*. The amendments in this update provide all entities with a practical expedient and entities other than public entities with an accounting policy election when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under *Topic 606*. Under *Topic 326*, in developing reasonable and supportable forecasts of expected credit losses, an entity is required to consider historical credit loss experience of financial assets with similar risks characteristics which generally provides a basis for an entity's assessment of credit losses, but also requires the entity to consider adjustments to that information to reflect the extent to which the entity expects current conditions and reasonable and supportable forecasts to differ from the conditions that existed for the period over which historical information was evaluated. The update allows entities to elect a practical expedient that assumes

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that current conditions as of the balance sheet date do not change for the remaining life of the asset. The amendments are effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual reporting periods. Early adoption is permitted in permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. The amendments should be applied prospectively. ASU 2025-05 will apply to Tecogen after December 15, 2025. We are currently evaluating the impact on our consolidated financial statements and related disclosures, the adoption of which we anticipate will not have a material effect on our financial position or results of operations.

Interim Reporting (Topic 270) - Narrow-Scope Improvements. In November 2025, the Financial Accounting Standards Board issued ASU 2025-11, *Interim Reporting (Topic 270) - Narrow-Scope Improvements*. This update is intended to improve the navigability of the required interim disclosures under Topic 270 and clarify when the guidance is applicable. The amendments also provides a comprehensive list of required disclosures required by Topic 270 that should be provided in interim reporting periods. The amendments add to Topic 270 a principle that requires entities to disclose since the end of the last annual reporting period that have a material impact on the entity. The amendments clarify the applicability of Topic 270, the types of interim reporting, and the form and content of the interim financial statements in accordance with GAAP. The amendments in this Update apply to all entities that provide interim financial statements and notes in accordance with U.S. generally accepted accounting principals ("GAAP") and include guidance on the definition of interim financial statements and notes in accordance with GAAP, including referencing the U.S. Securities and Exchange Commission requirements for entities to which those requirements apply. The amendments are effective for interim reporting periods beginning after December 15, 2027, for public entities. Early adoption is permitted. The amendments can be applied either prospectively or retrospectively to any and all prior periods presented in the financial statements. ASU 2024-11 will apply to Tecogen after December 15, 2027, adoption of which will not have a material effect on our financial position or results of operation, but will require additional disclosure.

Codification Improvements. In December 2025, the Financial Accounting Standards Board Issued ASU 2025-12, *Codification Improvements*. ASU 2025-12 contains amendments to the Codification that affect a wide variety of Topics in the Codification and applies to all reporting entities within the scope of the affected accounting guidance. The amendments in this Update represent changes to the Codification that clarify, correct errors or make minor improvements, making the Codification easier to understand and apply. The amendments in this update are effective for public entities for fiscal years beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption 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 years that includes the interim period. An entity should apply the amendments in this update (except for amendments to Topic 260, Earnings per Share, related to Issue 4) using one of the following transition methods: (1) prospectively to all new transactions recognized on or after the date that the entity first applies the amendments, or (2) 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. For amendments to Topic 260, Issue 4, an entity shall apply the amendments retrospectively to each prior reporting period presented in the period of adoption. ASU 2025-12 will apply to Tecogen after December 15, 2026. We are currently evaluating the impact on our consolidated financial statements and related disclosures, the adoption of which we anticipate will not have a material effect on our financial position or results of operations.

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Note 3. Income (loss) per Common Share:

Basic and diluted loss per common share for the years ended December 31, 2025 and 2024, respectively, was as follows:

	Years Ended	
	December 31, 2025	December 31, 2024
Numerator:		
Net loss attributable to stockholders	\$ (8,248,755)	\$ (4,760,238)
Denominator:		
Weighted average shares outstanding - Basic	27,233,143	24,861,190
Effect of dilutive securities:		
Stock options	—	—
Weighted average shares outstanding - Diluted	27,233,143	24,861,190
Basic loss per share	\$ (0.30)	\$ (0.19)
Diluted loss per share	\$ (0.30)	\$ (0.19)
Anti-dilutive shares underlying stock options outstanding	244,836	1,222,516

Note 4. Acquisition of American DG Energy Inc.

On May 18, 2017, we completed our acquisition, by means of a stock-for-stock merger, of 100% of the outstanding common shares of American DG Energy Inc. ("American DG Energy" or "ADGE"), a company which installed, owned, operated and maintained complete distributed generation of electricity systems, or DG systems or energy systems, and other complementary systems at customer sites and sells electricity, hot water, heat and cooling energy under long-term contracts at prices guaranteed to the customer to be below conventional utility rates, by means of a merger of one of our wholly owned subsidiaries with and into ADGE such that ADGE became a wholly owned subsidiary of Tecogen. We acquired ADGE to, among other reasons, expand our product offerings and benefit directly from the long-term contracted revenue streams generated by these installations. We gained control of ADGE on May 18, 2017 by issuing shares of our Common Stock to the prior stockholders of ADGE.

Goodwill of \$13.3 million arising from the acquisition is primarily attributable to the going concern element of ADGE's business, including its assembled workforce and the long-term contractual nature of its business, as well as expected cost synergies from the merger related primarily to the elimination of administrative overhead and duplicative personnel. None of the goodwill recognized is expected to be deductible for income tax purposes.

The favorable contract asset and the unfavorable contract liability, both of which relate to existing customer contracts, and the estimated amortization are more fully described in Note 8. "Intangible Assets and Liabilities other than Goodwill".

Note 5. Aegis Contract and Related Asset Acquisition

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.

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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 executed as of December 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 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 initial analysis and valuation.

As of December 31, 2025, 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.

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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. During the year ended December 31, 2024, we identified a \$9,232 adjustment to increase the contingent consideration liability and a \$5,052 adjustment reducing the customer contracts intangible asset. As of December 31, 2024, we completed our initial 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 initial 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 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).

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

	December 31, 2025	December 31, 2024
Acquisition liabilities, current		
Contingent consideration	\$ 349,385	\$ 328,350
Deferred maintenance reserve	327,777	574,202
	<u>677,162</u>	<u>902,552</u>
Acquisition liabilities, long-term		
Contingent consideration	826,757	1,008,760
Deferred maintenance reserve	—	—
	<u>\$ 826,757</u>	<u>\$ 1,008,760</u>

Revenues and gross profit from the Aegis maintenance contracts were \$2,397,182 and \$1,406,739 and \$2,671,051 and \$1,764,227, respectively, for the years ended December 31, 2025 and 2024. The revenue and gross profit are included in our Services segment since the date of 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 consolidated statement of operations.

We performed a remeasurement analysis of the contingent consideration and pre-acquisition deferred maintenance liabilities at December 31, 2025 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, 2025.

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 6 . Sale of Energy Producing Assets

During the first quarter of 2019, we sold certain energy producing assets, including the associated energy production contracts for total consideration of \$7 million.

In connection with the asset 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 fees for both maintenance and operation. 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. As of December 31, 2025 the remaining minimum guaranteed cash flows aggregated to \$4,155,675 over the remaining periods of the associated energy production contracts (through August 2033 and January 2034, respectively). Based upon an analysis of these energy producing assets expected future performance, as of December 31, 2025, we do not expect to make any material payments under the guarantee. Actual results are compared to the minimum threshold bi-annually and we reimburse any shortfall to the purchaser. To the extent actual results are in excess of the minimum threshold, we are entitled to fifty percent of such excess under the agreements. For the year ended December 31, 2025, we recognized a threshold shortfall of \$84,854 and for the year ended December 31, 2024 and we recognized a threshold surplus of \$73,243, respectively, of revenue representing our share of the excess cash flows under the energy production contracts. Our obligation under the energy production contracts was \$42,765, representing 100% of the cash flows shortfall below the minimum threshold for the bi-annual period ended December 31, 2025. Included in our current receivables as of December 31, 2024, were excess cash flows of \$98,876.

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 did not recognize any counterparty contract default costs in the years ended December 31, 2025 and 2024.

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. We did not recognize any site decommissioning costs for the year ended December 31, 2025 and we recognized \$20,000 in site decommissioning costs for the year ended December 31, 2024.

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Notes to Audited Consolidated Financial Statements for December 31, 2025 and 2024

Note 7. Inventory, net

Inventory at December 31, 2025 and 2024 consisted of the following.

	<u>2025</u>	<u>2024</u>
Raw materials, net of reserve	\$9,361,583	\$8,525,879
Work-in-process	1,410,757	930,769
Finished goods	177,357	177,357
	<u>\$ 10,949,697</u>	<u>\$ 9,634,005</u>

Raw materials, work in process, and finished goods inventories are stated at the lower of cost, as determined by the average cost method, or net realizable value. We periodically review inventory quantities on hand for excess and/or obsolete inventory based primarily on historical usage, as well as based on estimated forecast of product demand. For the years ended December 31, 2025 and 2024, we recorded inventory reserves of \$110,488 and \$70,530, respectively, to cost of sales based on this review.

Note 8. Intangible Assets and Liabilities Other Than Goodwill

During the years ended December 31, 2025 and 2024, we did not capitalize any cost incurred for product certification costs, patent-related costs or trademarks. Also included in intangible assets are legal costs incurred by us to obtain patents for our intellectual property. These patents, once they are placed in service, are amortized on a straight-line basis over the estimated economic life of the associated product, which ranges from approximately 7-10 years.

Intangible assets and liabilities at December 31, 2025 and 2024 consist of the following:

	<u>December 31, 2025</u>			<u>December 31, 2024</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Intangible assets						
Product certifications	\$ 777,465	\$ (732,469)	\$ 44,996	\$ 777,465	\$ (709,855)	\$ 67,610
Patents	888,910	(682,370)	206,540	888,910	(584,493)	304,417
Developed technology	240,000	(204,000)	36,000	240,000	(188,000)	52,000
Trademarks	26,896	—	26,896	26,896	—	26,896
In process R&D	263,936	(179,100)	84,836	263,936	(141,394)	122,542
Favorable contract assets	384,465	(383,540)	925	384,465	(379,839)	4,626
Customer contract	\$ 2,225,123	\$ (478,813)	1,746,310	\$ 2,225,123	\$ (290,025)	1,935,098
	<u>\$ 4,806,795</u>	<u>\$ (2,660,292)</u>	<u>\$ 2,146,503</u>	<u>\$ 4,806,795</u>	<u>\$ (2,293,606)</u>	<u>\$ 2,513,189</u>
Intangible liability						
Unfavorable contract liability	\$ 2,341,478	\$ (2,136,143)	\$ 205,335	\$ 2,618,168	\$ (2,195,329)	\$ 422,839

The aggregate amortization expense related to non-contract related intangible assets was \$174,197 and \$192,571 during the years ended December 31, 2025 and 2024, respectively. The net aggregate expense related to the amortization of the contract related intangible assets and liabilities for the years ended December 31, 2025 and 2024 was \$79,041 and \$6,727, respectively.

Contract Asset and Liability

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 (see Note 4. "Acquisition of American DG Energy Inc."). 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 5. "Aegis Contract and Related Asset Acquisition".

During the year ended December 31, 2025, we determined that certain of the ADGE customer contracts terminated due to the customers failure to perform their obligations pursuant to the contractual agreements and accordingly reversed \$104,055

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Notes to Audited Consolidated Financial Statements for December 31, 2025 and 2024

of unfavorable contract liability related to these contracts. The adjustments are included in the consolidated statement of operations for the year ended December 31, 2025, as non-cash benefits within long-lived asset impairment.

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 to eleven years, and is charged against cost of sales in the accompanying 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
2026	\$ 165,814	\$ 145,282	\$ 311,096
2027	165,507	151,998	317,505
2028	23,140	158,007	181,147
2029	5,650	158,007	163,657
2030	5,650	166,597	172,247
Thereafter	6,611	762,009	768,620
	<u>\$ 372,372</u>	<u>\$ 1,541,900</u>	<u>\$ 1,914,272</u>

Note 9. Property, Plant and Equipment, net

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

	Estimated Useful Life (in Years)	2025	2024
Energy systems	10 - 15 years	\$ 2,488,929	\$ 2,810,232
Machinery and equipment	5 - 7 years	1,631,139	1,598,538
Furniture and fixtures	5 years	270,837	224,868
Computer software	3 - 5 years	192,865	192,865
Leasehold improvements	*	1,166,708	906,739
		<u>5,750,478</u>	<u>5,733,242</u>
Less - accumulated depreciation and amortization		(4,141,157)	(3,995,206)
Net property, plant and equipment		<u>\$ 1,609,321</u>	<u>\$ 1,738,036</u>

* Lesser of estimated useful life of asset or lease term

Depreciation and amortization expense on property and equipment for the years ended December 31, 2025 and 2024 was \$405,962 and \$354,485, respectively. During the year ended December 31, 2025, we received proceeds of \$4,290 from the disposition of certain assets realizing a loss of \$183. During the year ended December 31, 2024, we received proceeds of \$51,400 from the disposition of certain assets realizing a gain of \$12,181.

During the year ended December 31, 2025, we determined that one of the ADGE customer contracts terminated due to the customers failure to perform their obligations pursuant to the contractual agreements and deemed the assets related to the contracts at these sites to be impaired. We recorded a non-cash impairment of \$119,060 which is included in the consolidated statement of operations for the year ended December 31, 2025, within long-lived asset impairment. During the year December 31, 2024 we evaluated the ADGE customer contracts and and related assets and did not deem any assets to be impaired.

During the year ended December 31, 2025 there was four ADGE contract termination and two for the year ended December 31, 2024.

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Note 10. Goodwill

Changes in the carrying amount of goodwill by reportable segment during the years ended December 31, 2025 and 2024 was as follows:

	Products	Services	Energy Production	Total
Balance at December 31, 2023	\$ 40,870	\$ 337,268	\$ 2,365,286	\$ 2,743,424
Impairment	—	—	(217,295)	(217,295)
Acquisition - adjustment	—	(179,563)	—	(179,563)
Balance at December 31, 2024	\$ 40,870	\$ 157,705	\$ 2,147,991	\$ 2,346,566
Impairment	(40,870)	—	(1,057,254)	(1,098,124)
Balance at December 31, 2025	\$ —	\$ 157,705	\$ 1,090,737	\$ 1,248,442

We performed a goodwill impairment test of the Energy Production goodwill at December 31, 2025 and 2024 and determined that the carrying value of the assets exceeded estimated fair value of the of the assets, based on a discounted cash flow analysis, and recorded goodwill impairment of \$1,057,254 and \$217,295 for the years ended December 31, 2025 and 2024, respectively We performed a goodwill impairment test of the Services goodwill and determined that the estimated fair value of the assets, based on a discounted cash flow analysis, exceeded the carrying value of the assets and concluded there was no impairment of goodwill at December 31, 2025. The Products goodwill was deemed impaired and we recorded goodwill impairment of \$40,870 for the year ended December 31, 2025.

See Note 5. "Aegis Contract and Related Asset Acquisition" for further discussion.

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, we extended the maturity date the of the promissory note dated October 10, 2023 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 we were required to be issue is 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 were required to issue is 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. Both of the promissory notes with Mr. Hatsopoulos were reclassified to long-term liabilities due to the February 18, 2025 amendment.

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 draw-down. 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.

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On May 1, 2025, Mr. Lewis elected to convert the promissory note we 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. At September 30, 2025 our obligation to Mr. Lewis under the promissory note was retired.

On September 3, 2025 and September 4, 2025, we paid \$548,675 and \$528,281, respectively, to Mr. Hatsopoulos in repayment of his loans to us in the aggregate principal amount of \$1,000,000 together with \$76,956 of accrued and unpaid interest. At December 31, 2025, our obligation to Mr. Hatsopoulos under the promissory notes were retired.

Note 12. Commitments and Contingencies

Operating Lease Obligations

We lease office space and warehouse facilities under various lease agreements which expire through January 2031. Total rent expense for the years ended December 31, 2025 and 2024 amounted to \$677,602 and \$796,400, respectively. See Note 14. "Leases" for further discussion.

Finance Lease Obligations

We lease motor vehicles under a master vehicle lease agreement, effective December 19, 2023, which expire through October 2030. See Note 14. "Leases" for further discussion.

Legal Matters

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 cogenerator installed by us at the plaintiffs' facility caught fire, causing damage to the cogenerator 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 continued to maintain 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 with the plaintiffs 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 with respect to this matter.

Guarantees

In connection with the sale of energy producing assets, we made certain guarantees to the purchaser as discussed in Note 5. "Sale of Energy Producing Assets" Based upon an analysis of these energy producing assets expected future performance, as of December 31, 2025 we do not expect to make any material payments under the guarantee.

Change in Control Severance Benefit Plan

On July 9, 2020, our compensation committee of the board of directors adopted the Tecogen Inc. Change in Control Severance Benefit Plan ("Plan"). The Plan provides for up to 12 months of severance benefits for certain of our key management employees who are selected as plan participants by the plan administrator and who have executed a Change in Control Severance Benefit Plan Participation Notice. On July 9, 2020, Robert A. Panora, our President and Chief Operating Officer, and John K. Whiting, IV, our General Counsel and Secretary, were each designated as participants in the Plan.

Under the Plan, upon the occurrence of certain termination events following a change in control of the Company, the executive participants would receive cash severance payments equal to 12 months' salary and bonus payments, continuation of certain health benefits, the acceleration of bonus awards, and immediate vesting of outstanding unvested options (including performance options) to acquire our common stock. The severance payments are required to be paid in a single lump sum. The Plan has a term of three years and will automatically extend for successive additional one-year terms unless we provide written notice at least six months in advance of a then current term.

An executive will be entitled to severance under the Plan only if there has been a "Change in Control" of the Company and the termination of employment or service occurs during the period that is three months prior to and 18 months following a change in control of the Company, and the termination of participant's employment or service with the Company without "Cause," or by participant for "Good Reason" as those terms are defined in the Plan. In order to be eligible to receive severance benefits under the Plan, an executive must comply with the terms of the Plan, including the release of claims in favor of the Company and certain confidentiality, non-compete, non-solicitation, and non-disparagement covenants during and following

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termination of employment. The Plan will be administered by the compensation committee of the board of directors (or by the full board of directors or such other committee as the board may designate).

Note 13. Product Warranty

We reserve an estimate of our exposure to warranty claims based on both current and historical product sales data and warranty costs incurred. The majority of our products are sold with a one-year warranty. We assess the adequacy of our recorded warranty liability periodically and adjust the reserve as necessary. The warranty liability is included in accrued expenses on the accompanying consolidated balance sheets.

Changes in our warranty reserve were as follows:

Warranty reserve, December 31, 2023	\$ 142,000
Warranty provision for units sold	257,898
Costs of warranty incurred	<u>(276,898)</u>
Warranty reserve, December 31, 2024	123,000
Warranty provision for units sold	263,667
Costs of warranty incurred	<u>(203,667)</u>
Warranty reserve, December 31, 2025	<u>\$ 183,000</u>

Note 14. 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, Lease obligations, current and Long-term liabilities - 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 \$1,150,000 and \$1,200,000. As of December 31, 2025 we have spent \$1,166,708 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 facility 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

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our Windsor, CT service center 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. On July 1, 2025, we exercised our option and extended the term of our 1,414 square foot Mamaroneck, NY service center for an additional term of five (5) years, expiring on February 28, 2031. The straight-line monthly rent for the additional term is \$4,519 for our Mamaroneck, NY service facility

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 years ended December 31, 2025 and 2024 was \$677,602 and \$796,400, respectively.

Supplemental information related to operating leases for the years ended December 31, 2025 and 2024 was as follows:

	December 31, 2025	December 31, 2024
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 549,894	\$ 727,418
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 193,480	\$ 1,650,994
Weighted-average remaining lease term - operating leases	3.2 Years	4.1 Years
Weighted-average discount rate - operating leases	7.6 %	7.5 %

Finance Leases

Finance leases are included in Right-of-use assets, Lease obligations, current and Long-term liabilities - 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. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the balance sheet.

Lease expense for finance leases, consisting of fixed payments for base rent and initial costs for the year ended December 31, 2025 and 2024 was \$402,267 and \$119,953, respectively. Depreciation and amortization expense on right-of-use finance lease assets for the years ended December 31, 2025 and 2024 was \$221,515 and \$61,572, respectively. Interest on the finance lease liabilities was \$88,639 and \$26,392 for the years ended December 31, 2025 and 2024, respectively.

Supplemental information for finance leases for the year ended December 31, 2025 and 2024 was as follows:

	December 31, 2025	December 31, 2024
Cash paid for amounts included in the measurement of finance lease liabilities	\$ 402,267	\$ 119,953
Right-of-use assets obtained in exchange for finance lease liabilities	\$ 1,227,447	\$ 313,776
Weighted-average remaining lease term - finance leases	4.0 years	4.3 years
Weighted-average discount rate - finance leases	10.3 %	10.0 %

Supplemental balance sheet information related to operating leases for the years ended December 31, 2025 and 2024 was as follows:

	December 31, 2025	December 31, 2024
Operating leases		
Right-of-use assets	\$ 1,490,094	\$ 1,730,358
Operating lease liability, current	\$ 538,641	\$ 430,382
Operating lease liability, long-term	1,004,488	1,341,789
Total operating lease liability	<u>\$ 1,543,129</u>	<u>\$ 1,772,171</u>

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Supplemental balance sheet information related to finance leases for the year ended December 31, 2025 and 2024 is as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Finance leases		
Right-of-use assets - motor vehicles	\$ 1,434,080	\$ 425,563
Right-of-use asset - boiler	—	26,827
	<u>\$ 1,434,080</u>	<u>\$ 452,390</u>
Finance lease liability		
Finance lease liability, current	\$ 280,265	\$ 85,646
Finance lease liability, long-term	992,285	325,235
Total finance lease liability	<u>\$ 1,272,550</u>	<u>\$ 410,881</u>

We exercised the bargain purchase option for the leased boiler and reclassified the asset to property, plant and equipment in the year ended December 31, 2025.

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

	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2025	\$ 593,234	\$ 399,436	\$ 992,670
2026	498,171	389,918	888,089
2027	477,654	389,918	867,572
2028	89,973	295,451	385,424
2029	59,127	80,108	139,235
Thereafter	9,490	—	9,490
Total lease payments	1,727,649	1,554,831	3,282,480
Less: imputed interest	184,520	282,281	466,801
Total	<u>\$ 1,543,129</u>	<u>\$ 1,272,550</u>	<u>\$ 2,815,679</u>

Note 15. Stockholders' Equity

Common Stock

The holders of our Common Stock have the right to vote their interest on a per share basis. At December 31, 2025 and 2024, there were 29,846,479 and 24,950,261 shares, respectively, of our Common Stock outstanding.

Preferred Stock

On February 13, 2013, we authorized 10 million shares of preferred stock. As of December 31, 2025, no preferred shares were issued or outstanding.

Stock-Based Compensation

We adopted the 2006 Stock Option and Incentive Plan (as amended, the "2006 Plan"), under which the board of directors may grant incentive or non-qualified stock options and stock grants to key employees, directors, advisors and our consultants. The 2006 Plan was amended at various dates by the Board of Directors to increase the reserved shares of common stock issuable under the 2006 Plan to 3,838,750 as of December 31, 2025, and in June 2017 stockholders approved an amendment to extend the termination date of the 2006 Plan to January 1, 2026 and to ratify all of our option grants issued after January 1, 2016 (the "Amended Plan"). On January 1, 2026 the Amended Plan expired, no further incentive or non-qualified stock options may be granted.

Stock options vest based upon the terms within the individual option grants, with an acceleration of the unvested portion of such options upon a change in control event, as defined in the 2006 Plan. The options are not transferable except by will or domestic relations order. The option 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. The number of shares remaining available for future issuance under the Amended Plan as of December 31, 2025 and 2024 was 1,151,068 and 1,108,168, respectively.

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During the year ended December 31, 2025, we granted nonqualified options to purchase an aggregate of 58,500 shares of common stock at prices between \$2.14 and \$8.61 per share to key employees. These options have a vesting schedule of four years and expire in ten years. The fair value of the options issued in 2025 was \$137,413. The weighted-average grant date fair value of stock options granted during 2025 was \$2.35 per share. During the year ended December 31, 2024 no options were granted.

We adopted the 2022 Stock Incentive Plan (the "2022 Plan") on March 1, 2022, under which the Board of Directors may grant incentive or non-qualified stock options and stock grants to key 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 within the individual option grants, with an acceleration of the unvested portion of such options upon a change in control event, as defined in the 2022 Plan. The options are not transferable except by will or domestic relations order. The option price per share under the 2022 Plan cannot be less than the fair market value of the underlying shares on the date of the grant.

During the year ended December 31, 2025, we granted nonqualified options to purchase an aggregate of 221,336 shares of common stock at \$8.35 per share to officers and directors. These options have a vesting schedule of four years and expire in ten years. The fair value of the options issued in 2025 was \$918,035. The weighted-average grant date fair value of stock options granted during 2025 was \$4.15 per share. Also, during the year ended December 31, 2025, we granted restricted stock awards, with respect to 95,808 shares of common stock priced at \$8.35 per share to officers which vest in equal annual installments over the four year period commencing on the date of grant.

During the year ended December 31, 2024, we granted nonqualified options under the 2022 Plan to purchase an aggregate of 125,000 shares of common stock at \$0.77 per share to certain directors, officers and key employees. These options have a vesting schedule of two to four years and expire in ten years. The fair value of the options issued in 2025 was \$44,750. The weighted-average grant date fair value of stock options granted during 2025 was \$0.36 per share.

The number of shares remaining available for future issuance under the 2022 Plan as of December 31, 2025 and December 31, 2024 was 2,632,856 and 2,950,000, respectively.

During the year December 31, 2025, options for 575,154 shares of common stock were exercised. During the year ended December 31, 2024, options for 100,000 shares of common stock were exercised.

Stock option activity for the year ended December 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	279,836	\$ 2.14 — \$ 8.61	7.60		
Exercised	(575,154)	\$ 0.71 — \$ 3.93	\$ 1.21		2,144,534
Canceled and forfeited	(110,600)	\$ 0.71 — \$ 3.48	0.95		
Outstanding, December 31, 2025	<u>2,347,044</u>	\$ 0.71 — \$ 8.61	<u>\$ 1.90</u>	6.29 years	<u>\$ 7,961,973</u>
Exercisable, December 31, 2025	<u>1,490,958</u>		<u>\$ 1.24</u>		<u>\$ 5,517,036</u>
Vested and expected to vest, December 31, 2025	<u>2,218,631</u>		<u>\$ 1.84</u>		<u>\$ 7,595,233</u>

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.

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

Stock option award assumptions:	2025	2024
Expected dividend yield	—%	—%
Expected life	6.25 years	6.25 years
Risk-free interest rate	4.46%	4.28%
Expected volatility	45.48%	40.17%

During the years ended December 31, 2025 and 2024, we recognized stock-based compensation expense of \$260,051 and \$172,987, respectively, related to the issuance of stock options. We recognized stock-based compensation expense of \$87,978 for restricted stock awards granted during the year ended December 31, 2025. No tax benefit was recognized related to the stock-based compensation expense recorded during either of the years. At December 31, 2025 and 2024, the total compensation cost related to unvested stock option awards and restricted stock awards not yet recognized is \$1,785,884 and \$278,461, respectively. The unvested stock compensation at December 31, 2025 will be recognized over a weighted average period of 2.26 years.

Note 16. 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.

Level 3 - Unobservable inputs reflecting management's own assumptions about the input used in pricing the asset or liability.

The following table presents the asset reported in the consolidated balance sheet measured at its fair value on a recurring basis as of December 31, 2025 and 2024 by level within the fair value hierarchy:

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		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Unrealized gain (loss)
	Total	Level 1	Level 2	Level 3	
December 31, 2025					
Recurring fair value measurements					
Available-for-sale equity securities					
Aivita Group, Inc (formerly EuroSite Power, Inc.)	\$ 96,464	\$ —	\$ 96,464	\$ —	\$ 14,680
Total recurring fair value measurements	\$ 96,464	\$ —	\$ 96,464	\$ —	\$ 14,680

December 31, 2024					
Recurring fair value measurements					
Available-for-sale equity securities					
Aivita Group, Inc (formerly EuroSite Power, Inc.)	\$ 93,744	\$ —	\$ 93,744	\$ —	\$ —
Total recurring fair value measurements	\$ 93,744	\$ —	\$ 93,744	\$ —	\$ —

We utilize a Level 2 category fair value measurement to value our investment in Aivita Group, Inc., formerly EuroSite Power Inc., as an available-for-sale 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 are classifying as Level 2.

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

Fair value at December 31, 2023	\$ 93,744
Unrealized gain	—
Fair value at December 31, 2024	\$ 93,744
Fair value at December 31, 2024	\$ 93,744
Unrealized gain	10,993
Realized gain	3,687
Proceeds from share liquidation	(11,960)
Fair value at December 31, 2025	\$ 96,464

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The following table presents the liabilities reported in the consolidated balance sheet measured at their fair value on a recurring basis as of December 31, 2025 and 2024 by level within the fair value hierarchy:

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total gains (losses)
	Total	Level 1	Level 2	Level 3
December 31, 2025				
Recurring fair value measurements				
Contingent contract consideration				
Current	\$ 349,385	\$ —	\$ —	\$ 349,385
Long-term	826,757	—	—	826,757
Total recurring fair value measurements	\$ 1,176,142	\$ —	\$ —	\$ 1,176,142
December 31, 2024				
Recurring fair value measurements				
Contingent contract consideration				
Current	\$ 328,350	\$ —	\$ —	\$ 328,350
Long-term	1,008,760	—	—	1,008,760
Total recurring fair value measurements	\$ 1,337,110	\$ —	\$ —	\$ 1,337,110

We utilize a Level 3 category fair value measurement to value the contingent consideration liability at period end since there are no quoted prices for this liabilities 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 consideration calculation requires management to make estimates and assumptions that affect the reported amount of the liability. The contingent 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.

Note 17. Retirement Plans

We have a defined contribution retirement plan (the "Plan"), which qualifies under Section 401(k) of the Internal Revenue Code (IRC). Under the Plan, employees meeting certain requirements may elect to contribute a percentage of their salary up to the maximum allowed by the IRC. We matched a variable amount based on participant contributions up to a maximum of 4.5% of each participant's salary until May 2020 when we discontinued the matching of employee contributions for those employees not covered under a collective bargaining agreement. Effective July 1, 2023, we reinstated the employer match based on participant contributions which are capped at a maximum of \$250 per quarter and \$1,000 per fiscal year, per participant. We contributed approximately \$104,464 and \$86,827 in matching contributions to the Plan for the years ended December 31, 2025 and 2024, respectively.

Note 18. Segments

Our Chief Executive Officer, who is our Chief Operating Decision Maker ("CODM") manages our business through three operating segments, consistent with how our CODM: (i) assessed operating performance on a periodic basis, (ii) makes resource allocation decisions and (iii) designates responsibilities of his direct reports. As of December 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. "Nature of Business and Operations", 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 managements's assessment of segment financial performance.

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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 years ended December 31, 2025 and 2024:

	Products	Services	Energy Production	Corporate	Total
Year ended December 31, 2025					
Revenues	\$ 9,133,450	\$ 16,616,523	\$ 1,323,737	\$ —	\$ 27,073,710
Cost of sales	6,097,501	10,202,774	948,927	—	17,249,202
Gross profit	3,035,949	6,413,749	374,810	—	9,824,508
Operating expenses	2,697,052	8,267,955	1,122,163	5,982,168	18,069,338
(Loss) profit from operations	<u>\$ 338,897</u>	<u>\$ (1,854,206)</u>	<u>\$ (747,353)</u>	<u>\$ (5,982,168)</u>	<u>\$ (8,244,830)</u>
Identifiable assets	<u>\$ 8,431,913</u>	<u>\$ 13,259,334</u>	<u>\$ 1,402,969</u>	<u>\$ 13,895,887</u>	<u>\$ 36,990,103</u>
Year ended December 31, 2024					
Revenues	\$ 4,443,996	\$ 16,074,870	\$ 2,100,670	\$ —	\$ 22,619,536
Cost of sales	3,014,655	8,432,876	1,301,832	—	12,749,363
Gross profit	1,429,341	7,641,994	798,838	—	9,870,173
Operating expenses	1,947,426	6,625,965	319,514	5,511,355	14,404,260
(Loss) profit from operations	<u>\$ (518,085)</u>	<u>\$ 1,016,029</u>	<u>\$ 479,324</u>	<u>\$ (5,511,355)</u>	<u>\$ (4,534,087)</u>
Identifiable assets	<u>\$ 9,487,422</u>	<u>\$ 11,695,370</u>	<u>\$ 2,855,386</u>	<u>\$ 7,054,081</u>	<u>\$ 31,092,259</u>

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Note 19. Income Taxes

A reconciliation of the federal statutory income tax provision and tax rate to our actual provision and expected tax rate for the years ended December 31, 2025 and 2024 is as follows:

	2025		2024	
	Provision	Rate	Provision	Rate
Pre-tax book income (loss)	\$ (8,228,728)		\$ (4,651,205)	
Expected tax at 21%	(1,728,033)	21.0 %	(976,753)	21.0 %
Permanent differences:				
Goodwill impairment	230,606	(2.8)%	45,632	(1.0)%
Intangible amortization	(23,824)	0.3 %	(37,003)	0.8 %
Other	7,310	(0.1)%	5,169	(0.1)%
State taxes:				
Current	20,615	(0.3)%	22,565	(0.5)%
Deferred	(379,627)	4.6 %	(234,928)	5.1 %
Other items:				
Expired net operating losses	130,882	(1.6)%	324,799	(7.0)%
Change in valuation allowance	1,846,721	(22.4)%	920,794	(19.8)%
Deferred tax past year true-up's	15,124	(0.2)%	(91,289)	2.0 %
Other	(99,159)	1.2 %	43,579	(0.9)%
Income tax provision	<u>\$ 20,615</u>	<u>(0.3)%</u>	<u>\$ 22,565</u>	<u>(0.5)%</u>

The components of net deferred tax assets recognized in the accompanying consolidated balance sheets at December 31, 2025 and 2024 are as follows:

	2025	2024
Net operating loss carryforwards	\$ 13,698,000	\$ 12,025,000
R&D and ITC credit carryforwards	412,000	396,000
Accrued expenses and other	372,000	267,000
Intangibles	286,000	370,000
Leases	(29,000)	—
Accounts receivable	102,000	76,000
Stock options	(102,000)	486,000
Inventory	343,000	279,000
Property, plant and equipment	530,000	578,000
Other	1,176,000	464,000
Deferred tax assets	16,788,000	14,941,000
Valuation allowance	(16,788,000)	(14,941,000)
Deferred tax assets, net	<u>\$ —</u>	<u>\$ —</u>

At December 31, 2025, we had approximately \$46,509,000 of federal net operating loss carryforwards ("NOL") of which \$245,000 expired as of December 31, 2025, \$20,509,658 expire beginning in 2024 through 2039 and \$25,999,342 have an indefinite carryforward. In addition, we have \$35,705,000 of state net operating losses, expiring at various dates starting in 2026 through 2043.

The Tax Cuts and Jobs Act was enacted on December 22, 2017. A significant provision of the act was to reduce the statutory federal tax rate from 34% to 21%. During 2025, our valuation allowance increased by \$1,847,000 and \$130,882 of net operating loss carryforwards expired. This increase is affected by the absorption of deferred tax attributes associated with its acquisition of American DG Energy, Inc. along with permanent book to tax differences and provision to return adjustments.

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In accordance with the provisions of the Income Taxes topic of the Codification, we have evaluated the positive and negative evidence bearing upon the realizability of our deferred tax assets, which are comprised principally of net operating losses. Management has determined that it is more likely than not that we will not recognize the benefits of federal and state deferred tax assets and, as a result, a full valuation allowance has been established for 2024 and 2025, respectively.

Utilization of the NOL and research and development credit carryforwards are subject to a substantial annual limitation due to ownership changes, as provided by Section 382 of the Internal Revenue Code of 1986, as well as similar state provisions. Ownership changes may limit the amount of NOL and tax credit carryforwards that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period.

We acquired American DG Energy, Inc. during 2017, by acquiring 100 percent of the company's stock. Accordingly, utilization of their consolidated and/or separately computed NOL and/or tax credit carryforwards will be subject to an annual limitation under Internal Revenue Code Section 382. Any such limitation may result in expiration of a portion of the NOL or tax credit carryforwards before utilization. The extent of the limitation, and related allocation and impact upon the NOL and credit carryforwards has been determined to be \$391,940 per year for a 20 year period at the ADGE level. However, we have sufficient pre-merger NOLs to offset anticipated taxable income for the taxable year ended December 31, 2025 and do not expect to be limited in NOL utilization for the period.

A full valuation allowance has been provided against our loss carryforwards and, if an adjustment is required under Section 382, it would be offset by a corresponding adjustment to the valuation allowance. Thus, there would be no impact to the balance sheet or statement of operations if an adjustment were required.

We have not recorded any amounts for unrecognized tax benefits as of December 31, 2025 or 2024.

We file tax returns as prescribed by the tax laws of the jurisdiction in which we operate. In the normal course of business, we are subject to examination by federal and state jurisdictions, where applicable. There are currently no pending tax examinations. Our tax returns from tax year 2022 are still open for examination for both federal and state jurisdictions.

Note 20. Subsequent Events

We have evaluated events through the date of this filing and have determined that no material subsequent events occurred that would require recognition in the consolidated financial statements or disclosure in the notes thereto for the period ended December 31, 2025.

