



SUMMER ENERGY HOLDINGS, INC.

State of Incorporation: Nevada

**5847 San Felipe St. Suite 3700
Houston, TX 77057
713-375-2760
www.summerenergy.com**

SIC Code: 4911

QUARTERLY REPORT For the quarterly period ended September 30, 2024 (the “Reporting Period”)

The number of shares outstanding of our Common Stock is 36,787,358 as of September 30, 2024, and 36,787,358 as of June 30, 2024.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company’s shell status has changed since the previous reporting period:

Yes: No:

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: No:

For more information:
www.OTCQB.com Ticker: **SUME**
or www.summerenergy.com

**SUMMER ENERGY HOLDINGS, INC.
QUARTERLY REPORT
FOR FIRST QUARTER ENDED SEPTEMBER 30, 2024**

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FORWARD-LOOKING STATEMENTS

Certain statements made in this Quarterly Report are “forward-looking statements” regarding the plans and objectives of management for future operations and market trends and expectations. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving the continued expansion of our business.

Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved.

These forward-looking statements rely on assumptions, estimates and predictions that could be inaccurate and that are subject to risks and uncertainties that could cause actual results to differ materially from expected results. We cannot guarantee future results, outcomes, levels of activity, performance, or achievements, and there can be no assurance that our expectations, intentions, anticipations, beliefs, or projections will result or be achieved or accomplished. Forward-looking statements speak only as of the date of this report. Except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements, or to update the reasons actual results could differ significantly from those anticipated in these forward-looking statements, even if new information becomes available in the future.

Item 1. Exact Name of the Issuer and the Address of its Principal Executive Offices

Exact name of issuer: Summer Energy Holdings, Inc.

Predecessor entities in the past five years and the dates of name changes: N/A

Principal Executive Offices: 3847 San Felipe St., Suite 3700
Houston, Texas 77057
Telephone: 713-375-2700
Website: www.summerenergy.com

Check box if principal executive office and principal place of business are the same address:

Item 2. Shares Outstanding

The following table sets forth the number of shares outstanding for each class of securities authorized as of the dates set forth below:

Common Stock			
	September 30, 2024	December 31, 2023	December 31, 2022
Number of Shares Authorized	100,000,000	100,000,000	100,000,000
Number of Shares Outstanding	36,787,358	32,752,074	32,307,298
Restricted Shares	31,105,826	29,096,595	28,681,819
Free Trading Shares (Public Float) (1)	5,681,532	3,655,479	3,655,479
Number of Shareholder Owning more than 5%	11	11	11
Number of Beneficial Shareholders Owning at Least 100 Shares	168	145	143
Total Number of Stockholder of Record	168	145	143

Preferred Stock			
	September 30, 2024	December 31, 2023	December 31, 2022
Number of Shares Authorized	10,000,000	10,000,000	10,000,000
Number of Shares Outstanding	-	-	-
Restricted Shares	-	-	-
Free Trading Shares (Public Float) (1)	-	-	-
Number of Shareholder owning more than 5%	-	-	-
Number of Beneficial Shareholders Owning at Least 100 Shares	-	-	-
Total Number of Stockholder of Record	-	-	-

(1) For purposes of this calculation only, shares of common stock held by (i) each of the Company's directors and officers on the given date and (ii) person(s) who the Company knows beneficially owned 5% or more of the outstanding common stock on that date have been excluded in that such persons may be deemed to be affiliates.

The following sets forth the list of the holders of 5% or more of outstanding Warrants exercisable as of September 30, 2024, or within 60 days of such date, together with their percentage ownership of the total outstanding vested Warrants and the expiration dates of such Warrants.

Name	Address	Number of Warrants Held	Expiration Date	Percentage of Total Warrants Owned
Humberto David Sirvent	6860 Shady Lane, Fulshear, Texas 77406	264,000	3/2/2025	42.99%
Digital Lending Services (3)	885 3rd Avenue, Suite 2610 New York, NY 10022	250,000	11/11/2025	40.71%
Strodes Mills Partners (1)	595 Birmingham Road, Westchester, PA 19382	50,000	5/3/2027	8.14%
Green Fields Partners (2)	200 French Road, Newtown Square, PA 19073	50,000	5/3/2027	8.14%

- (1) The control person of Strodes Mills Partners is Robert Powers.
- (2) The control person of Green Fields Partners is Brian Sweeney.
- (3) The control person of Digital Lending Services is Karrie Truglia.

As of September 30, 2024, the Company had 614,046 outstanding warrants of which 614,046 were vested. Each Warrant is exercisable for one (1) share of common stock of the Company.

Item 3. Interim Financial Statements

**SUMMER ENERGY HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash	\$ 1,786,762	\$ 814,543
Restricted cash	6,876,658	5,321,122
Accounts receivables, net	80,365,831	79,692,438
Account Receivable US Retailers LLC		-
Related party account receivable	651,123	1,716,557
Other receivable	-	465,662
Prepaid and other current assets	3,896,267	3,500,895
Total current assets	93,576,641	91,511,217
Property and equipment, net	33,573	66,293
Deferred financing cost, net	2,132	3,331
Operating lease right-of-use assets, net	1,287,532	1,456,997
Total assets	\$ 94,899,878	\$ 93,037,838
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,131,172	\$ 3,358,459
Accrued wholesale power purchased	40,393,465	44,856,427
Accrued transportation and distribution charges	13,618,331	12,213,033
Accrued sales and use tax audit liability	250,000	250,000
Accrued expenses	5,741,679	6,917,217
Related party loan	-	769,000
Current-portion operating lease obligation	307,096	224,040
Current-portion of obligations	18,472,174	19,626,187
Total current liabilities	81,913,917	88,214,363
Long-term liabilities:		
Long-term obligations, net of current portion	1,115,174	1,315,461
Total liabilities	83,029,091	89,529,824
Commitments and contingencies		
Stockholders' equity:		
Common stock - \$.001 par value, 100,000,000 shares authorized, 36,787,358 and 32,752,074 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	36,787	32,752
Subscription receivable	(52,000)	(52,000)
Additional paid-in capital	36,001,688	35,273,156
Accumulated deficit	(24,115,688)	(31,745,894)
Total stockholders' equity	11,870,787	3,508,014
Total liabilities and stockholders' equity	\$ 94,899,878	\$ 93,037,838

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

SUMMER ENERGY HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenue	\$ 77,822,654	\$ 77,238,506	\$ 203,751,882	\$ 187,195,539
Cost of goods sold				
Power purchases and balancing/ancillary	48,574,942	54,622,373	114,844,184	104,022,142
Transportation and distribution providers charge	25,729,106	26,460,764	69,649,808	67,507,459
Total cost of goods sold	<u>74,304,048</u>	<u>81,083,137</u>	<u>184,493,992</u>	<u>171,529,601</u>
Gross profit	3,518,606	(3,844,631)	19,257,890	15,665,938
Operating expenses	<u>6,720,571</u>	<u>5,720,055</u>	<u>18,119,136</u>	<u>17,227,849</u>
Operating income from continuing operations	(3,201,965)	(9,564,686)	1,138,754	(1,561,911)
Other income (expense)				
Litigation expense	-	-	(325,000)	-
Settlement in Hartman lawsuit	-	-	1,119,355	-
Discount of receivable from Brazos Electric settlement	-	-	-	(490,676)
Financing costs	(400)	(400)	(1,199)	(29,548)
Amortization of customer acquisition costs	(110,191)	-	(330,573)	-
Interest expense, net	<u>(1,618,255)</u>	<u>(1,586,112)</u>	<u>(5,113,311)</u>	<u>(3,914,143)</u>
Total other expense	(1,728,846)	(1,586,512)	(4,650,728)	(4,434,767)
Net income from continuing operations	(4,930,811)	(11,151,198)	(3,511,974)	(5,996,678)
Sale proceeds from US Retailers US, LLC	(466,180)	-	7,633,820	-
Net income from discontinued operations	-	2,941,493	3,508,360	9,618,340
Income tax expense				
State income tax	-	-	-	(856)
Net (loss) income	<u>\$ (5,396,991)</u>	<u>\$ (8,209,705)</u>	<u>\$ 7,630,206</u>	<u>\$ 3,620,806</u>

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

SUMMER ENERGY HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended	
	2024	2023
Cash Flows from Operating Activities		
Net income (loss)	\$ 7,630,206	\$ 3,620,806
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of deferred financing costs	1,199	29,948
Amortization of customer acquisition costs	330,573	-
Capitalization of customer acquisition costs	(661,146)	-
Broker warrant compensation expense	3	5
Revaluation of warrant issued to Digital Lending Services US Corp	-	4,664
Stock compensation expense	42,111	187,121
Interest payment in common stock for personal guaranty	585,333	229,333
Depreciation of property and equipment	57,618	52,202
Amortization of right of use asset	169,465	138,412
Bad debt expense	1,512,730	1,338,843
Changes in operating assets and liabilities:		
Accounts receivable	(2,186,123)	(18,809,674)
Related party account receivable	1,726,580	(2,300,059)
Brazos settlement receivable	-	1,498,666
Accounts receivable other	465,662	(479,539)
Prepaid and other current assets	(725,945)	3,514,745
Accounts payable	(344,518)	1,124,476
Accrued wholesale power purchased	(4,462,962)	(16,868)
Accrued transportation and distribution charges	1,405,298	3,342,841
Accrued expenses and other	(1,175,538)	759,351
Net cash (used) provided by operating activities	<u>4,370,546</u>	<u>(5,764,727)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(24,898)	(6,431)
Net cash used in investing activities	<u>(24,898)</u>	<u>(6,431)</u>
Cash Flows from Financing Activities		
Deferred financing cost, net	-	45,336
Payments to Digital Lending Services US Corp.	(1,102,815)	-
Financing of directors and officer's insurance policy	(26,488)	78,179
Payments of directors and officer's insurance policy, net	-	(12,464)
Financing on cyber insurance policy	(24,699)	119,536
Payment of cyber insurance policy, net	-	(60,334)
Advance on Comerica Bank Loan	-	8,000,000
Advance from EDF	-	4,000,000
Advance from related party	-	2,750,000
Repayments to related party	(769,000)	(1,064,000)
Collateral funding provided by Engie	-	1,935,853
Repayments of collateral support to EDF	-	(8,546,859)
Net cash used in financing activities	<u>(1,923,002)</u>	<u>7,245,247</u>
Net Increase in Cash and Restricted Cash	<u>2,422,646</u>	<u>1,474,089</u>
Cash and Restricted Cash at Beginning of Period	<u>6,135,665</u>	<u>5,202,678</u>
Cash and Restricted Cash at End of Period	<u>\$ 8,663,420</u>	<u>\$ 6,676,767</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Income taxes paid	\$ -	\$ -
Interest paid in cash	<u>\$ 5,415,378</u>	<u>\$ 4,349,132</u>
<u>Non-Cash Investing and Financing Activities:</u>		
Issuance of warrants	\$ 3	\$ 5
Revaluation of warrant issued to Digital Lending	<u>\$ -</u>	<u>\$ 4,664</u>

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

SUMMER ENERGY HOLDINGS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

The consolidated financial statements include the accounts of Summer Energy Holdings, Inc. and its wholly-owned subsidiaries Summer Energy, LLC (“Summer LLC”), Summer Energy Midwest, LLC (“Summer Midwest”), Summer EM Marketing, LLC (“Marketing LLC”) and Summer Energy Northeast, LLC (“Summer Northeast”) (collectively referred to as the “Company,” “we,” “us,” or “our”). All significant intercompany transactions and balances have been eliminated in these consolidated financial statements.

Summer LLC is a retail electric provider in the state of Texas under a license with the Public Utility Commission of Texas (“PUCT”). Summer LLC procures wholesale energy and resells to commercial and residential customers. Summer LLC was organized on April 6, 2011, under the laws of the state of Texas.

Summer Midwest (formerly Summer Energy of Ohio, LLC) was formed in the state of Ohio on December 16, 2013, to procure and sell electricity in the state of Ohio. The Public Utilities Commission of Ohio issued a certificate as a Retail Electric Service Provider to Summer Midwest on June 16, 2015. On May 2, 2019, the Illinois Commerce Commission approved Summer Midwest as a Retail Electric Service Provider in the state of Illinois and in December 2019, the Pennsylvania Public Utilities Commission approved Summer Midwest as a Retail Electric Provider.

Marketing LLC was formed in the state of Texas on November 6, 2012, to provide marketing services to Summer LLC. Marketing LLC is currently inactive and there is no business activity.

Summer Northeast, a Texas limited liability company formerly named REP Energy, LLC, was acquired on November 1, 2017, and became a wholly owned subsidiary of Summer Energy Holdings, Inc. Summer Northeast is a retail electric provider serving electric load to both residential and commercial customers in the Northeastern U.S. and currently holds a license in Massachusetts, and previously held a license in New Hampshire. On March 11, 2024, the Company provided notice to the New Hampshire Department of Energy that it had ceased selling electricity to any customers in the state of New Hampshire and was filing to withdraw its Competitive Electric Power Supplier Registration.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the OTCQB Disclosure Guidelines for Alternative Reporting, without audit. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the nine-month period ended September 30, 2024, are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report for the fiscal year ended December 31, 2023.

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

Going Concern

As of September 30, 2024, the Company had a cash balance of \$1,786,762 stockholders' equity of \$11,870,787 and liabilities, including material debt and lease obligations, of \$83,029,091. During nine-month period ended September 30, 2024, the Company reported cash provided by operating activities of \$4,370,546 that included net income of \$7,630,206.

On September 11, 2023, the Company did not make the required payment of \$2,000,000, and on November 11, 2023, the Company did not make the additional \$5,000,000 required payment to Digital Lending. The non-payment of both required amounts is an event of default under the Digital Lending Documents (defined below). The Company had five business days to cure the default, which the Company did not cure. Under the Digital Lending Documents, an event of default triggers an increase of the interest rate of the Revolving Note (defined below) to the lower of twenty percent (20%) per annum and the maximum rate permitted by law. This default resulted in a default on Facility Agreement (defined below) with Engie Energy Marketing NA, Inc. ("Engie") See Notes 7 and 10 for additional information. As a result of the defaults, the Facility Agreement with Engie can be called. As a result of these circumstances, the Company believes its existing cash, together with any positive cash flows from operations, may not be sufficient to support working capital and capital expenditure requirements for the next twelve months if the Facility Agreement is not renewed or called and the Company may be required to seek additional financing from outside sources.

Management's plans to mitigate the Company's current conditions include working with Engie, negotiating with related parties and third parties to refinance existing debt and lease obligations, cost reduction efforts and sales of customer accounts. During the nine-months ended September 30, 2024, the Company sold excess power in the amount of \$11,000,000 and sold its ERCOT residential customers accounts to US Retailers LLC for an estimated \$8.1 million (See Note 4).

Notwithstanding management's plans, there can be no assurance that the Company will be successful in its efforts to address its current liquidity and capital resource constraints. These conditions raise substantial doubt about the Company's ability to continue as a going concern for the next twelve months from the issuance of these consolidated financial statements. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result if the Company is unable to continue as a going concern.

Uses and Sources of Liquidity

The condensed consolidated financial statements have been prepared assuming the Company will continue to operate as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, and does not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from uncertainty related to its ability to continue as a going concern within one year from the date of issuance of these condensed consolidated financial statements

For the nine months ended September 30, 2024 and 2023, net income was \$7,630,206 and \$3,620,806, respectively.

During the nine months ended September 30, 2024, the Company's operations have been financed principally from electricity revenues. Cash provided by operating activities during the nine months ended September 30, 2024, was \$4,370,546 compared to cash used in operating activities in the amount of \$(5,764,727) for the nine months ended September 30, 2023. The Company's liquidity requirements are to finance current operations, meet financial commitments, fund organic growth and/or acquisitions, and service debt. The liquidity requirements fluctuate with the level of customer acquisition costs, collateral posting requirements, the effects of the timing between the settlement of payables and receivables, including the effect of weather conditions, and our general working capital needs for ongoing operations. Estimating liquidity requirements is highly dependent on then-current market conditions, including weather events, forward prices for electricity, market volatility and our then-existing capital structure and requirements. As of September 30, 2024, the Company remained in default with Digital Lending and Engie (See Notes 10 and 11).

The Company has implemented risk management strategies during 2024 related to the purchase of electricity in order to control costs and improve profitability.

Revenue and Cost Recognition

Our revenues are primarily derived from the sale of electricity to residential and small commercial customers. Revenues for sales of electricity are recognized under the accrual method of accounting.

Direct energy costs are recorded when the electricity is delivered to the customer's meter.

Cost of goods sold ("COGS") within the Texas market include electric power purchased and pass-through charges from the transmission and distribution service providers ("TDSPs") in the areas serviced by the Company. TDSP charges are costs for metering services and maintenance of the electric grid. TDSP charges are established by regulation of the PUCT. COGS within the Independent System Operator ("ISO") for the New England market is comprised of wholesale costs based upon the wholesale power tariff rate for volumes purchased during the delivery month and scheduling fees. Summer Midwest began flowing electricity within the Pennsylvania, Jersey, Maryland Power Pool ("PJM") market in July 2019, and the COGS for the PJM market is comprised of wholesale costs based upon the wholesale power tariff for volumes purchased during the delivery month as well as scheduling fees.

The energy portion of our COGS is comprised of two components: bilateral wholesale costs and balancing/ancillary costs. These two cost components are incurred and recognized differently as follows:

Bilateral wholesale costs are incurred through contractual arrangements with wholesale power suppliers for firm delivery of power at a fixed volume and fixed price. We are invoiced for these wholesale volumes at the end of each calendar month for the volumes purchased for delivery during the month, with payment due 20 days after the end of the month.

Balancing/ancillary costs are based on the customer load and are determined by the Electric Reliability Council of Texas ("ERCOT"), ISO New England and PJM through a multiple step settlement process. Balancing costs/revenues are related to the differential between supply that we provided through our bilateral wholesale supply and the supply required to serve our customer load. The Company endeavors to minimize the amount of balancing/ancillary costs through our load forecasting and forward purchasing programs.

Cash and Restricted Cash

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no such investments as of September 30, 2024, or for the fiscal year ended December 31, 2023.

Restricted cash in the amount of \$6,876,658 as of September 30, 2024 and \$5,321,122 as of December 31, 2023, represents funds held in escrow for customer deposits, funds held in a controlled account by the wholesale provider (*See Note 11*) and funds securing irrevocable stand-by letters of credit (*See Note 5*).

	<u>September 30, 2024</u>		<u>December 31, 2023</u>
Cash	\$ 1,786,762	\$	814,543
Restricted cash:			
Segregated customer deposit funds	231,077		1,108,594
Segregated prepaid customer deposit	571,000		838,693
Funds controlled by wholesale provider	<u>6,074,580</u>		<u>3,373,835</u>
Total restricted cash	6,876,658		5,321,122
Total cash and restricted cash	<u>\$ 8,663,420</u>	\$	<u>6,135,665</u>

NOTE 3 – REVENUE

The table below represents the Company’s reportable revenues from continuing operations for the three and nine month periods ended September 30, 2024 and 2023, respectively, from customers, net of respective provisions for refund:

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<i>Electricity Revenues from Contracts with Customers</i>				
ERCOT Market	\$ 67,774,631	\$ 65,781,189	173,977,378	\$ 159,992,196
ERCOT Pre-paid Market	2,017,022	3,026,742	5,009,724	3,899,807
ISO New England Market	200,190	403,777	559,028	718,096
PJM Market	<u>6,427,480</u>	<u>6,406,012</u>	<u>20,032,171</u>	<u>8,692,094</u>
<i>Total Electricity Revenues from Contracts with Customers</i>	<u>76,419,323</u>	<u>75,617,720</u>	<u>199,578,301</u>	<u>173,302,193</u>
<i>Other Revenues:</i>				
Fees Revenue	<u>1,403,311</u>	<u>1,620,786</u>	<u>4,173,581</u>	<u>4,056,815</u>
Total Revenues from continuing operations	\$ <u>77,822,654</u>	\$ <u>77,238,506</u>	\$ <u>203,751,882</u>	\$ <u>177,359,008</u>

The Company recognizes revenue from the sale of electricity to consumers upon the performance obligation to deliver electricity to the customer’s meter. This method of revenue recognition is commonly referred to as the “flow method.” The Company’s customer base consists of a mix of residential and commercial customers in the ERCOT, ISO New England and PJM markets. Also, the Company recognizes revenues from contract cancellation fees, disconnection fees and late fees.

The invoice practical expedient within the accounting guidance allows for the recognition of revenue from performance obligations in the amount of consideration to which there is a right to invoice the customer and when the amount for which there is a right to invoice corresponds directly to the value transferred to the customer. The purpose of the invoice practical expedient is to depict an entity’s measure of progress toward completion of the performance obligation within a contract and can only be applied to performance obligations that are satisfied over time and when the balance is representative of services provided to date. The Company elected to apply the invoice practical expedient to recognize revenue for performance obligations satisfied over time as the invoices from the respective revenue streams are representative of services or goods provided to date to the customer.

Performance Obligations

Residential and Commercial – The Company has performance obligations for the service to deliver electricity to its customers and satisfies these performance obligations over time as electricity is provided continuously to the customer who simultaneously receives and consumes the benefits provided. The Company recognizes revenue at a fixed base amount and a price per kilowatt hour (“kWh”) as it provides these services on a fixed term contract. Contracts generally have fixed terms of three-month increments, not to exceed a 24-month fixed term. For customers whose fixed contracts have expired, the Company recognizes revenue at the market price per kWh as the service is provided.

Residential pre-paid – The Company has performance obligations for the service to deliver electricity to its customers and these performance obligations are satisfied over time as electricity is provided continuously to the customer who simultaneously receives and consumes the benefits provided. Revenues in the pre-paid market are variable at the market rate per kWh as the service is provided.

Accounts Receivable and Unbilled Revenue

In the Texas market, electricity revenues not billed by month end are accrued based upon estimated deliveries to customers as tracked and recorded by ERCOT multiplied by our average billing rate per kWh in effect at the time. At the end of each calendar month, revenue is accrued to unbilled receivables based on the estimated amount of power delivered to customers using the flow technique. Unbilled revenue also includes accruals for estimated TDSP charges and monthly service charges applicable to the estimated electricity usage for the period. All charges that were physically billed in the calendar month are recorded from the unbilled account to the customer's receivable account. Accounts receivable are customer obligations billed at the customer's monthly meter read date for that period's electricity usage and due within 16 days of the date of the invoice. The past due customer balances are subject to a late fee that is assessed on that billing. Unbilled accounts in the Texas market as of September 30, 2024, and December 31, 2023, were estimated at \$58,020,870 and \$53,719,299, respectively.

In the ISO New England market, electricity services not billed by month end are accrued based upon estimated deliveries to customers as tracked and recorded by ISO New England, multiplied by our average billing rate per kWh in effect at the time. The customer billing in the ISO New England market is performed by the local utility company. Unbilled accounts in the ISO New England market as of September 30, 2024, and December 31, 2023, were estimated at \$91,426 and \$208,742, respectively.

The Company began service in the PJM market during the third quarter of 2019. In the PJM market, electricity services not billed by month end are accrued based upon estimated deliveries to customers as tracked and recorded by PJM, multiplied by our average billing rate per kWh in effect at the time. The customer billing in the PJM market is performed by the local utility company. Unbilled accounts in the PJM market as of September 30, 2024, and December 31, 2023, were estimated at \$937,260 and \$941,592, respectively.

The Company's accounts receivables and accrued revenue are recorded at cost less an allowance for credit losses. We estimate losses on receivables at the reporting date based on expected losses resulting from the inability of our customers to make required payments, including our historical experience of actual losses and the aging of such receivables. These receivables have been pooled by market including the Texas market, the ISO New England market, and PJM market, because the receivables from each market share risk characteristics. Based on known information we may also establish specific reserves for customers in an adverse financial condition or adjust our expectations of changes in conditions that may impact the collectability of outstanding receivables. Receivables past due over 90 days are considered delinquent and are reviewed individually for collectability. After all means of collection have been exhausted, delinquent receivables are written-off. The allowance for credit losses at September 30, 2024, and December 31, 2023, was \$1,188,189 and \$1,035,010, respectively.

Presented in the following table is the total accounts receivable and accrued revenue from combined residential and commercial operations. The Company is in the process of determining the component between residential and commercial groups related to the sale to US Retailers LLC (See Note 4).

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
<u>Accounts receivable from customers</u>		
ERCOT Market	\$ 20,842,789	\$ 23,419,133
ISO New England Market	46,606	41,422
PJM Market	<u>2,316,069</u>	<u>2,397,260</u>
<i>Total accounts receivable from customers</i>	<u>23,205,464</u>	<u>25,857,815</u>
<u>Accrued revenue from customers</u>		
ERCOT Market	58,020,870	53,719,299
ISO New England Market	91,426	208,742
PJM Market	<u>937,260</u>	<u>941,592</u>
<i>Total accrued revenue with customers</i>	<u>59,049,556</u>	<u>54,869,633</u>

Allowance for credit losses	(1,888,189)	(1,035,010)
<i>Total accounts receivable</i>	<u>\$ 80,366,831</u>	<u>\$ 79,692,438</u>

NOTE 4 – SALE TO US RETAILERS LLC AND DISCONTINUED OPERATIONS

On February 22, 2024, Summer Energy, LLC (“Summer LLC”), a wholly owned subsidiary of the Company entered into a Purchase Agreement (the “Agreement”) with US Retailers LLC (“Buyer”). Pursuant to the Agreement, Summer LLC agreed to sell to Buyer its book of non-prepaid residential customers in the State of Texas. The consideration payable for the non-prepaid residential customers is estimated at \$8.1 million, payable in cash in three installments, subject to adjustment pursuant to the terms of the Agreement.

During the nine months ended September 30, 2024, the Company had received installments related to the asset purchase agreement totaling \$7,633,820.

The ERCOT market non-prepaid residential customer component disposed by the Company pursuant to the Agreement represents 12% of the Company’s gross revenue for the nine months ended September 30, 2024. The transaction is being reported as discontinued operations because the sale transaction represents a strategic shift that will have a major effect on the Company’s operations and financial results. The results of these discontinued operations are aggregated and presented separately in the condensed consolidated statement of income for the three and nine months ended September 30, 2024. Amounts presented as discontinued operations have been derived from the Company’s billing registers with regards to the ERCOT non-prepaid residential customers.

The results of operations from discontinued operations for the three and nine months ended September 30, 2024 and 2023, have been reflected in the consolidated statement of operations and consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue	\$ -	\$ 20,720,461	\$ 14,778,973	\$ 45,888,672
Cost of Goods Sold:				
Power purchases and balancing/ancillary	-	\$ 11,187,715	6,407,315	22,370,127
Transportation and distribution providers charge	-	\$ 5,419,675	3,934,618	11,831,014
Total cost of goods sold	-	16,607,390	10,341,933	34,201,141
Gross Profit	-	4,113,071	4,437,040	11,687,531
Operating expenses	-	1,171,578	928,680	2,953,959
Operating income from continuing operations	<u>1,091,108</u>	<u>2,941,493</u>	<u>3,508,360</u>	<u>8,833,582</u>

NOTE 5 – CASH DEPOSITS AND LETTERS OF CREDIT

As of September 30, 2024, and December 31, 2023, Summer LLC had cash deposits held by various local utilities in the ERCOT market that totaled \$773,111 and \$753,250, respectively. On behalf of the Company, Engie has posted a letter of credit with ERCOT in the amount of \$3,315,002 and a letter of credit to the Public Utility Commission of Texas in the amount of \$1,500,000 under the Facility Agreement (*See Note 10*).

As of September 30, 2024, and December 31, 2023, Summer Northeast had cash collateral posted with ISO New England in the amount of \$50,112 and \$53,289, respectively.

As of September 30, 2024, and December 31, 2023, Summer Midwest had cash collateral held by various local utilities in the PJM market totaling \$1,773,651 and \$1,773,651, respectively. On June 12, 2023, Engie issued on behalf of Summer Midwest a \$250,000 letter of credit to the Pennsylvania Public Utility commission. The irrevocable letter of credit was renewed and extended in June 2024. On September 11, 2023, Engie on behalf of Summer Midwest increased the letter of credit issued to EDF as transition credit from \$4,000,000 to \$5,500,000 related to participation in the PJM market (*See Note 10 and Note 11*). On May 9, 2024, Engie posted a letter of credit with PJM on behalf of Midwest upon Midwest becoming a PJM Market participant in the amount of \$1,500,000 and such letter of credit increased to \$2,500,000 on June 21, 2024. In addition to the letter of credit posted with PJM, the Company had posted \$1 million in cash as of September 30, 2024. On May 29, 2024, the letter of credit issued to EDF was reduced to \$4,000,000 upon Midwest becoming a PJM market participant.

NOTE 6 – SURETY BONDS

On August 4, 2023, Engie on behalf of Summer Midwest posted \$500,000 for a surety bond issued to The People of the State of Illinois. On August 18, 2023, the surety bond company which had previously issued a bond on behalf of Summer Midwest to the Illinois Commerce Commission in the amount of \$500,000 and a bond to the Pennsylvania Public Utility Commission in the amount of \$250,000 cancelled both bonds and released \$575,000 of collateral posted related to the two cancelled bonds. As of September 30, 2024, and December 31, 2023, Summer Midwest had cash in the amount of \$- and \$-, respectively, held by the surety bond company.

As of September 30, 2024, and December 31, 2023, Summer Northeast had a secured bond in the amount of \$400,000 to the Massachusetts Department of Energy Services. Cash in the amount of \$400,000 is held by the surety bond company to secure the bond which is included in prepaid and other current assets.

NOTE 7 – FINANCING FROM FIRST INSURANCE FUNDING

Effective June 23, 2024, the Company entered into a finance agreement with First Insurance Funding to finance the Company's Directors and Officers insurance for the period of June 2023 to May 2024. The amount for the premiums, taxes and fees totals \$97,864. A cash down payment in the amount of 8,221 was made by the Company leaving a remaining balance of \$89,643 to be paid in eleven installments in the amount of \$8,617. The annual percentage interest rate of the financing is 11.30%.

Effective June 23, 2023, the Company entered into a finance agreement with First Insurance Funding to finance the Company's Directors and Officers insurance for the period of June 2023 to May 2024. The amount for the premiums, taxes and fees totals \$136,292. A cash down payment in the amount of 58,412 was made by the Company leaving a remaining balance of \$78,179 to be paid in six installments in the amount of \$13,409. The annual percentage interest rate of the financing is 9.9%.

Effective April 1, 2023, the Company entered into a finance agreement with First Insurance Funding to finance the Company's cyber and excess liability insurance for the period of April 2023 to March 2024. The amount for the premiums, taxes and fees totals \$149,520. A cash down payment in the amount of 29,884 was made by the Company leaving a remaining balance of \$119,536 to be paid in ten installments in the amount of \$12,503. The annual percentage interest rate of the financing is 9.9%.

As of September 30, 2024, and December 31, 2023, respectively, the outstanding balance due to First Insurance Funding was \$89,643 and \$51,187, respectively. For the nine months ended September 30, 2024 and 2023, respectively, the interest expense incurred to First Insurance Funding was as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
First Insurance Funding interest expense	\$ -	\$ 2,574	\$ 328	\$ 2,574

NOTE 8 – FINANCING FROM DIGITAL LENDING SERVICES US CORP.

On March 12, 2020, Summer LLC (the “Borrower”) entered into a Loan Agreement (the “Agreement”) with Digital Lending Services US Corp., a Delaware corporation (“Digital Lending”). Pursuant to the Agreement, Digital Lending agreed to provide a revolving loan (the “Loan”) to the Borrower, and the Borrower agreed to borrow and repay funds loaned by Digital Lending.

The amount of available credit under the Loan is \$10,000,000. The Loan is revolving in nature and is evidenced by a Revolving Promissory Note (the “Revolving Note” and together with the Agreement and related documents, as amended, the “Digital Lending Documents”). The maturity date of the Loan was March 11, 2023, but was extended to November 11, 2023. The Loan bears interest at a rate of 12.75% per annum, with monthly installment payments of accrued interest only. The principal balance of the Loan may be prepaid at any time at the option of the Borrower, subject to certain prepayment charges.

The Loan was used by the Company to repay indebtedness owed to Blue Water Capital Funding, LLC and additional indebtedness, as well as for working capital and other general corporate purposes.

In connection with the Agreement, the Borrower made certain customary representations and warranties, and agreed that while the Loan amount remains outstanding, it would not take certain actions, including that it will not incur certain debts (as defined in the Agreement); create, assume, or suffer to exist any lien on any property or asset of the Borrower, except those set forth in and allowed by the Agreement; consolidate or merge with any other entity; or sell, lease, or transfer all or substantially all of the assets of the Borrower. Also, in connection with the Agreement, Borrower made certain affirmative and negative covenants, and agreed to designate a representative of Digital Lending to attend the Company’s board of directors’ meetings in a non-voting, observer capacity.

In connection with the Agreement, the Borrower and Digital Lending also entered into a Security Agreement (the “DL Security Agreement”), and Summer Energy Holdings, Inc. executed a Guaranty (the “DL Guaranty”) and issued a Common Stock Purchase Warrant (“Warrant”) in favor of Digital Lending.

Security Agreement

Pursuant to the DL Security Agreement, the Borrower granted to Digital Lending a second position security interest in and to the Borrower’s collateral, as more fully defined in the Security Agreement, and which includes receivables, equipment, inventory, personal property, other intangibles, and proceeds from any of these, to secure the Borrower’s payment of its obligations under the Loan. The security interest granted to Digital Lending is subordinate to a security interest granted to EDF pursuant to an Amended and Restated Energy Services Agreement dated June 19, 2019, as amended (See Note 10) and a security interest granted to Engie pursuant to a Security Agreement and Pledge Agreement (See Note 11).

Guaranty

Pursuant to the DL Guaranty, the Company agreed to guarantee the Borrower’s obligations under the Agreement and Revolving Note.

Warrant

In connection with the Agreement and the Loan, the Company agreed to issue to Digital Lending a Warrant. Pursuant to the Warrant, Digital Lending may purchase up to 250,000 shares of the Company's common stock. The Warrant has a term of five years, has an exercise price of \$1.50 per share, and is subject to adjustment as set forth in the Warrant. The Warrant also contains a cashless or net exercise provision, pursuant to which the holder of the Warrant may elect to convert all or a portion of the Warrant without the payment of additional consideration, by receiving a net number of shares calculated pursuant to a formula set forth in the Warrant.

On March 10, 2023, the Company and Borrower entered into an Omnibus Amendment No. 1 with Digital Lending to extend the maturity date of the Loan to November 11, 2023. The Company has agreed to pay down the principal balance of the loan by \$2,000,000 on or before September 11, 2023, and prepayment charges under the loan were deleted and the Company may now prepay the loan in whole or in part, at any time without penalty. In addition, the Company agreed to pay Digital Lending an amendment fee of \$210,000 which must be paid upon the earlier of the extended maturity date of the loan and the date on which the loan is repaid in full. The warrant previously issued to Digital Lending was amended pursuant to a Letter Agreement dated March 10, 2023, to reduce the exercise price thereof to \$0.50 per share and extend the term of the warrant through November 11, 2025.

On September 11, 2023, the Company did not make the required payment of \$2,000,000 which is an event of default under the Digital Lending Documents.

On November 11, 2023, the Company did not make the required payment of \$5,000,000 which is an event of default under the Digital Lending Documents.

The Company had five business days to cure the default options which the Company did not cure. Under the Digital Lending Documents, an event of default triggers an increase of the interest rate of the Revolving Note to the lower of twenty percent (20%) per annum and the maximum rate permitted by law. In addition, Digital Lending at its option and without notice may, subject to an intercreditor agreement with Engie: (a) accelerate amounts outstanding on the Revolving Note and demand immediate payment in full without presentment or other demand, protest, notice of dishonor or any other notice of any kind, all of which are expressly waived; (b) foreclose its lien on the collateral pursuant to the security agreement executed by Borrower, as applicable, or take such other actions available under the terms of the Digital Lending Documents; and (c) take such other actions as may otherwise be available in equity or at law.

On February 27, 2023, a \$2 million payment was made to Digital Lending of which \$1,087,203 was applied towards a principal payment and the remaining \$912,979 for accrued interest and outstanding fees.

On April 19, 2024, Digital Lending sent a guaranty demand to the Company indicating that the Company was in material default under the Loan Agreement and for the Company to make immediate payment of all sums due under the Loan Agreement.

On June 4, 2024, Digital Lending filed a civil action against the Company.

As of September 30, 2024, and December 31, 2023, the outstanding balance of the Digital Lending loan was \$5,897,185 and \$7,000,000, respectively, and the interest expense was as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Digital Lending interest expense	\$ 307,963	\$ 228,083	\$ 959,919	\$ 676,812

As previously disclosed, the Company was required to pay \$2,000,000 by September 11, 2023, and \$5,000,000 by November 11, 2023. The Company did not make either payment, resulting in an event of default under the Digital Lending Documents. The Company had five business days to cure the default, which the Company did not cure.

On April 19, 2024, Digital Lending provided notice that the Company was in material default under the Digital Lending Documents. Digital Lending demanded immediate payment of all overdue amounts. On June 4, 2024, Digital Lending filed a civil action against the Company.

The lawsuit is styled Cause No. 1:24-cv-04219-VSB; *Digital Lending Services US Corp. v. Summer Energy, LLC, and Summer Energy Holdings, Inc.*; pending in the United States District Court for the Southern District of New York. Digital Lending, as the plaintiff, asserted claims for breach of contract against Summer Energy LLC as borrower and Summer Energy Holdings, Inc. as guarantor of payments due under the Digital Lending Documents, and foreclosure of Digital Lending’s security interest in the collateral, pursuant to the security agreement, between Borrower and Digital Lending. Digital Lending seeks to recover damages in the amount of \$6,025,658.38, representing the outstanding loan balance when the lawsuit was filed, plus pre- and post-judgment interest, costs, expenses, and attorneys’ fees.

Digital Lending and the Company have exchanged documents, submitted written discovery requests and responses, and conducted multiple depositions in advance of the January 15, 2025, deadline to complete discovery. The parties are scheduled to attend a post-discovery conference with Judge Vernon S. Broderick on January 24, 2025. The case is not currently scheduled for trial.

NOTE 9 – COMERICA BANK NOTE

On March 14, 2023, the Company entered into a Master Revolving Note (the “Comerica Bank Note”) with Comerica Bank in the amount of \$8,000,000 with maturity date of May 1, 2024. The Prime Referred Rate on the Comerica Bank Note per annum shall be the less than the greater of (i) the sum of the Daily Adjusting Term of the Secured Overnight Financing Rate (“SOFR”) for such day plus 2.5% per annum, or (ii) two and one-half percent (2.5%) per annum. If, at any time, Comerica Bank determines that it is unable to determine or ascertain the Daily Adjusting Term SOFR Rate for any day, the Prime Referenced Rate for each such day shall be the Prime Rate in effect at such time, but not less than two and on-half percent (2.5%) per annum. As of September 30, 2024, the Comerica rate utilized for interest was 9%.

Four members of the Company’s Board of Directors, Stuart Gaylor, Andrew Bursten, Tom O’Leary and Neil Leibman (Mr. Leibman is also an executive officer of the Company) collectively agreed to personally guarantee the Note. The Company agreed to pay interest to the four individuals with the issuance of the Company’s common stock depending on the outstanding balance due and owing under the Note.

As of September 30, 2024, and December 31, 2023, the outstanding balance of the Comerica Bank Note was \$8,000,000 and interest had been incurred for the three and nine months ended September 30, 2024 and 2023, as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Comerica Bank Loan	\$ 184,000	\$ 184,556	\$ 546,000	\$ 233,167

NOTE 10 – WHOLESALE POWER PURCHASE AGREEMENT WITH EDF

On May 1, 2018, the Company, together with its subsidiaries Summer LLC and Summer Northeast closed a transaction with EDF Energy Services, LLC and EDF Trading North America, LLC (referred to in this Note 9 as “EDFTNA” and collectively with EDF Energy Services, LLC as “EDF”). As part of the transaction, Summer LLC, Summer Northeast

and EDF entered into an Energy Services Agreement (the “Energy Services Agreement”) pursuant to which Summer LLC and Summer Northeast agreed to purchase their electric power and associated services requirements from EDF, and EDF agreed to provide Summer LLC and Summer Northeast with certain credit facilities to assist Summer LLC and Summer Northeast in the purchase of their electric power and associated service requirements (such transaction with EDF, the “Original Transaction”).

In conjunction therewith, the Company and EDF also entered into a Security Agreement (the “EDF Security Agreement”), a Pledge Agreement (the “Pledge Agreement”) and a Guaranty (the “EDF Guaranty”) in favor of EDF. The Energy Services Agreement has a term of three years, and automatically renews for successive one-year periods unless either party provides written notice of termination 180 days prior to the renewal date. In addition to the market-based commodity price charged by EDF for each underlying commodity transaction, the Company will pay a “Commodity Fee” for each megawatt hour (“MWh”) of power that the Company requests for delivery from EDF during the term of the Energy Services Agreement. In addition, the Company is responsible for other mutually agreed-upon fees incurred by EDF on its behalf. The Company is also responsible for any reasonable transmission or transportation costs incurred in connection with power transactions. Monthly supply obligations will accrue interest at a rate equal to three-month LIBOR plus 6% per annum. Any additional credit support bears interest at the per annum rate equal to the lesser of (i) a rate per annum equal to three-month LIBOR rate plus 3% per annum, and (ii) the maximum rate of interest permitted by applicable law.

In consideration of the services and credit support provided by EDF and pursuant to the EDF Security Agreement, Summer LLC, Summer Northeast and Summer Midwest agreed to, among other things (i) grant a priority security interest to EDF in all of their assets, equipment and inventory; (ii) require their customers to remit monthly payments into a lockbox account over which EDF has a security interest; and (iii) deliver monthly and annual forecasted and audited financial statements to EDF.

Pursuant to the Pledge Agreements, the Company pledged to EDF, and granted to EDF a security interest in, all of the membership interests of Summer LLC and Summer Northeast owned by the Company, as well as all additional membership interests of such subsidiaries from time to time acquired by the Company. Pursuant to the EDF Guaranty, the Company agreed to guaranty the obligations of its subsidiaries under the Energy Services Agreement.

On June 19, 2019, the Company closed a transaction (the “Amendment Transaction”) with EDF in order to amend and/or restate certain of the agreements with EDF. Pursuant to the Amendment Transaction, the Company and EDF entered into an Amended and Restated Energy Services Agreement, which amended and restated the Energy Services Agreement (the “Amended Energy Services Agreement”), an amendment to ISDA Master Agreement which amends the ISDA Agreement (the “Amended ISDA Agreement”), an Omnibus Amendment to Pledge Agreement and Security Agreement and Joinder, which amends both the EDF Security Agreement and the Pledge Agreement (the “Omnibus Amendment”) and an Amended and Restated Guaranty, which amends and restates the EDF Guaranty (the “Amended Guaranty”).

On March 10, 2022, the Company and EDF entered into a Letter Agreement and Extension of Amended and Restated Energy Services Agreement to extend the term of the Amended Energy Services Agreement through June 30, 2022.

Then on June 22, 2022, the Company and EDF entered into a First Amendment to Amended and Restated Energy Services Agreement to, among other things, extend the term of the Amended Energy Services Agreement through August 31, 2022. The Company and EDF subsequently entered into additional amendments to extend the term of the Amended Energy Services Agreement pursuant to a Second Amendment to Amended and Restated Energy Services Agreement dated effective August 23, 2022 (which extended the term of the Amended Energy Services Agreement through September 30, 2022), and a Third Amendment to Amended and Restated Energy Services Agreement dated effective September 23, 2022 (which extended the term of the Amended Energy Services Agreement through October 31, 2022). On October 25, 2022, the Company and EDF entered into a Fourth Amendment to Amended and Restated Energy Services Agreement to, among other things, extend the term of the Amended Energy Services Agreement through November 30, 2022. Effective on November 30, 2022, the Company and EDF entered into a Fifth Amendment

to Amended and Restated Energy Services Agreement to, among other things, extend the term of the Amended Energy Services Agreement through December 31, 2022. Effective on December 29, 2022, the Company and EDF entered into a Sixth Amendment to Amended and Restated Energy Services Agreement to, among other things, extend the term of the Amended Energy Services Agreement through January 31, 2023. Effective on January 31, 2023, the Company and EDF entered into a Seventh Amendment to Amended and Restated Energy Services Agreement to, among other things, extend the term of the Amended Energy Services Agreement through February 28, 2023. Effective on February 28, 2023, the Company and EDF entered into an Eighth Amendment to Amended and Restated Energy Services Agreement to, among other things, extend the term of the Amended Energy Services Agreement through March 31, 2023. Effective on March 31, 2023, the Company and EDF entered into a Ninth Amendment to Amended and Restated Energy Services Agreement to, among other things, extend the term of the Amended Energy Services Agreement through April 30, 2023. Effective on April 30, 2023, the Company and EDF entered into a Tenth Amendment to Amended and Restated Energy Services Agreement to, among other things, extend the term of the Amended Energy Services Agreement through June 5, 2023.

On June 7, 2023, the Company terminated the Amended and Restated Energy Services Agreement with EDF when it closed its new Facility Agreement with Engie (See Note 10). Also on June 7, 2023, the Company, Summer LLC, Summer Midwest and Summer Northeast (collectively, the “Summer Entities”) entered into a transition agreement with EDF (“EDF Transition Agreement”) whereby the Company would take all steps necessary to cause the transition of the PJM interconnection from EDF’s account to the Summer Entities’ PJM account (the “PJM Transition”) as soon as reasonably practicable, but no later than ninety (90) days after the effective date of the EDF Transition Agreement. If the occurrence of the PJM Transition did not occur by ninety (90) days after such date, such failure would not be considered a default under the EDF Transition Agreement, provided that the Company provide supplemental credit support in the amount of one million five hundred thousand dollars (\$1,500,000) to EDF within five (5) business days after receipt of notice from EDF. Pursuant to the EDF Transition Agreement, EDF discounted the Company’s payoff amount by \$4,000,000 (the “Discount”). As consideration for the Discount, the Company will pay or cause to be paid to EDF an amount equal to the Discount amount from the future receipt of damages from the Hartman Recovery (See Note 26) and by future receipt of sale of the assets or membership interest of the Company.

On May 9, 2024, the Company received full payment of the settlement from Hartman in the amount of \$8,650,000 (See Note 26). The Company has not yet paid to EDF the amount of \$2 million under the transaction agreement.

On May 9, 2024, the Company received full payment of the settlement amount of \$8,650,000 from Hartman of which \$7,952,646 was applied against outstanding accounts receivable of the Company by Hartman and \$1,119,355 was recognized in other income in the statement of operations.

As of September 30, 2024, and December 31, 2023, amounts due to EDF were \$4,000,000 and \$4,000,000, respectively.

For the three and nine months ended September 30, 2024 and 2023, the Company expensed interest to EDF as follows:

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
EDF Interest	\$ -	\$ -	\$ -	\$ 1,552,804

NOTE 11 – WHOLESALE POWER PURCHASE AGREEMENT WITH ENGIE

On June 7, 2023, the Company and its subsidiaries, Summer LLC and Summer Midwest, closed a transaction with Engie. As part of the transaction, the Company and Engie entered into the Facility Agreement pursuant to which the Company agreed to purchase its electric power and associated services requirements from Engie, and Engie agreed to provide the Company with certain credit extension facilities to assist the Company in the purchase of its electric power and associated service requirements. The terms of the Facility Agreement are governed by the ISDA Agreement. In

conjunction therewith, the Company and Engie also entered into the Security Agreement and the Guaranty in favor of Engie.

The Facility Agreement has a term of three years, and automatically renews for successive one-year periods unless either party provides written notice of termination 180 days prior to the end of any then-current term. In addition to the interest in respect of deferred ISDA payments, the Company will also be responsible for paying supply and credit support fees to Engie and for other such mutually agreed upon fees incurred by Engie on the Company's behalf.

In consideration of the services and credit support provided by Engie to the Company, and pursuant to the Security Agreement, the Company agreed to, among other things grant a priority security interest to Engie in all of its assets, equipment, and inventory. Also pursuant to the Security Agreement, the Company pledged to Engie, and granted to Engie a security interest in, all of the membership interests of Summer LLC and Summer Midwest owned by the Company. Pursuant to the Guaranty, the Company agreed to guaranty the obligations of Summer LLC and Summer Midwest under the Facility Agreement. As part of the transaction, the Company, Engie and EDF entered into a Novation Agreement whereby the Company transferred by novation to Engie, and Engie accepted, the rights, liabilities, duties and obligations of the Company under and in respect of each transaction entered into pursuant to that certain 1992 ISDA Master Agreement dated as of May 1, 2018, as amended.

Under the terms of Engie Facility Agreement and related documents, the default by the Company under the Digital Lending Documents (*See Note 8*) is also an event of default with Engie. At any time during the existence of an event of default under the Engie Documents, Engie may, by notice to the Company, terminate the Engie Documents and all obligations of Engie to provide or cause the provision of any credit extension under the Engie Documents and related Credit Facility and the required payment of an early termination fee of \$3,000,000. An event of default under the Facility Agreement also triggers an increase in the interest rate under the Credit Facility by 1200 basis points, and acceleration of all amounts due to Engie.

As of September 30, 2024, and December 31, 2023, Engie had provided on behalf of the Company transitional credit support in the amount of \$575,000 and \$6,075,000, respectively, as well as ISO and Public Utility Commission credit support in the amount of \$8,265,001 and \$3,565,001 as follows:

	As of September 30, 2024		As of December 31, 2023	
	Transitional Credit Support	ISO and Public Utility Commission Credit Support	Transitional Credit Support	ISO and Public Utility Commission Credit Support
Bonds issued to Illinois Commerce Commission and Pennsylvania Public Utility Commission	\$ 575,000	\$ -	\$ 575,000	\$ -
Letter of credit to EDF			5,500,000	-
Letter of credit to PJM	-	2,500,000	-	-
Letter of credit Public Utility Commission of Texas	-	1,500,000	-	500,000
Letter of credit Pennsylvania Public Utility Commission	-	450,000	-	250,000
Bond issued to Illinois Commerce Commission	-	500,000	-	500,000
Letter of credit ERCOT	-	3,315,001	-	2,315,001
As of December 31, 2023	\$ 575,000	\$ 8,265,001	\$ 6,075,000	\$ 3,565,001

As of September 30, 2024, and December 31, 2023, the outstanding balance due to Engie for wholesale power purchased was \$33,206,994 and \$44,856,427, respectively, and the accrued interest for the three and nine months ended September 30, 2024 and 2023, as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Engie Interest	\$ 890,429	\$ 999,250	\$ 3,034,411	\$ 1,258,396

NOTE 12 – LEASE LIABILITIES, COMMITMENTS AND CONTINGENCIES

Office Space

The Company leases office space and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized on a straight-line basis over the term of the lease. For leases beginning in 2019 and later, the Company accounts for lease components separately from the non-lease components. Most leases include one or more options to renew. The exercise of the lease renewal options is at the sole discretion of the Company. Certain leases also include options to purchase the leased property. The depreciable life of the assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Beginning December 1, 2017, the Company procured approximately 20,073 square feet of office space on the 37th Floor of 5847 San Felipe, Houston, Texas, pursuant to a sublease agreement dated October 13, 2017, with ENSCO International Incorporated (“Sublandlord”) for a term beginning on December 1, 2017, and terminating on December 31, 2025. The base rent payments are approximately \$15,900 per month during the term of the sublease agreement. The Company was also responsible for 12.08% of the operating expenses, utilities and taxes charged to the Sublandlord. On December 23, 2020, the sublease agreement with the Sublandlord was terminated, and concurrently, the Company entered into a Commercial Lease Agreement (the “Lease”) with PKY-SAN Felipe Plaza, L.P. (“PKY”) for such same office space. The term of the Lease with PKY begins on November 1, 2020, and terminates on October 31, 2023. Pursuant to the Lease with PKY, the Company will pay rent of \$15,891 per month and is also responsible for 2.047% of the operating expenses, utilities and taxes.

On April 6, 2023, the Company amended its lease with PKY to provide that the term of the lease is extended for an additional period of five (5) years commencing on November 1, 2023, and continuing through October 31, 2028. The base rent under the amended lease from and after the effective date shall be as follows:

<u>Period</u>		<u>Annual Base Rent</u>		<u>Monthly Installments</u>
November 1, 2023 – October 31, 2024	\$	351,278	\$	29,273
November 1, 2024 – October 31, 2025	\$	361,314	\$	30,110
November 1, 2025 – October 31, 2026	\$	371,351	\$	30,946
November 1, 2026 – October 31, 2027	\$	381,387	\$	31,782
November 1, 2027 – October 31, 2028	\$	391,424	\$	32,619

As of September 30, 2024, and December 31, 2023, the operating lease right-of-use assets and operating lease liabilities were \$1,422,270 and \$1,539,501, respectively.

Operating lease future minimum payments together with their present values as of September 30, 2024, are summarized as follows:

	<u>Operating Leases</u>
2024	\$ 87,993
2025	351,965
2026	351,965
2027	351,965
2028	294,822
2029	759

Total future minimum lease payments	1,439,469
Less amounts representing interest	<u>(17,199)</u>
Present value of lease liability	\$ 1,115,174
Current-portion operating lease liability	(307,096)
Long-term portion operating lease liability	<u>\$ 1,115,174</u>

Lease expense for the office space for the three and nine months ended September 30, 2024, and 2023, respectively, was included in operating expenses on the consolidated statements of operations as follows:

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Operating Lease expense	\$ 46,630	\$ 42,598	\$ 184,034	\$ 138,412

NOTE 13 – LONG-TERM OBLIGATIONS

Long-term obligations of the Company are comprised as follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Financing from First Insurance Funding	\$ -	\$ 51,187
Financing from Digital Lending Services US Corp.	5,897,175	7,000,000
EDF Transition Agreement obligation	4,000,000	4,000,000
Wholesale Power Purchase Agreement with Engie collateral credit support	575,000	575,000
Comerica Bank Loan	8,000,000	8,000,000
Operating lease obligations	<u>1,422,270</u>	<u>1,539,501</u>
Total obligations	\$ 19,894,445	\$ 21,165,688
Less current portion of obligations	(18,472,175)	(19,626,187)
Less current portion operating lease obligations	<u>(307,096)</u>	<u>(224,040)</u>
Long-term portion of obligations	<u>\$ 1,115,174</u>	<u>\$ 1,315,461</u>

For the three and nine months ended September 30, 2024, and 2023, respectively, interest expense consists of the following obligations:

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Financing from First Insurance Funding	\$ -	2,574	328	2,574
Financing from Digital Lending Services US Corp.	307,963	228,083	959,319	676,812
Comerica Master Revolving Note	184,000	184,556	546,000	233,167
Wholesale Power Purchase Agreement with EDF	-	-	-	1,552,804
Wholesale Power Purchase Agreement with Engie	890,429	-	3,034,411	1,258,396
Loan Guaranty Interest	245,334	999,250	730,668	309,334
Related Party Interest	-	245,334	6,486	-

Other interest	2,555	255	8,266	1,830
Total interest expense	\$ 1,630,281	\$ 1,660,052	5,285,478	4,034,916
Interest income	(12,026)	(73,940)	(172,167)	(120,774)
Interest expense, net	\$ 1,618,255	\$ 1,586,112	5,113,311	3,914,143

NOTE 14 – 2012 STOCK OPTION AND STOCK AWARD PLAN

During 2012, the Company approved the 2012 Stock Option and Stock Award Plan (the “2012 Plan”) established to advance the interest of the Company and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Company and by motivating such persons to contribute to the growth and profitability of the Company.

The maximum aggregate number of (i) shares of stock that may be issued under the 2012 Plan, and (ii) shares of stock with respect to which stock appreciation rights may be granted, is 785,000 and consists of authorized but unissued or reacquired shares of stock or any combination thereof. Such number of shares of stock may be issued under the 2012 Plan pursuant to incentive stock options, non-statutory stock options, restricted stock grants, stock appreciation right grants or any combination thereof, so long as the aggregate number of shares so issued does not exceed such number of shares, as adjusted.

The 2012 Plan continues in effect until the earlier of its termination by the Board or the date on which all the shares of stock available for issuance under the 2012 Plan have been issued and all restrictions on such shares under the terms on the 2012 Plan and the agreement evidencing awards granted under the 2012 Plan have lapsed. However, all awards shall be granted, if at all, within ten (10) years from the earlier of the date the 2012 Plan is adopted by the Board or the date the 2012 Plan is duly approved by the stockholders of the Company.

On June 4, 2024, the Company cancelled 127,000 stock options from the 2012 Plan which had previously been issued to five members of the Company’s Board of Directors as compensation during the calendar year ended December 31, 2014 and cancelled 2,000 options from the 2012 Plan previously issued to a key employee during the calendar year ended December 31, 2014. The options were soon to expire, and the Company determined to grant an equivalent number of new option awards under the 2023 Plan (*See* Note 17).

On June 25, 2024, the Board unanimously approved by written consent to terminate the 2012 Plan and that such termination would not adversely affect any outstanding award holder. In consideration of such cancellation of the 2012 Plan, the Board approved the issuance of a number of shares of the Company’s common stock, par value \$0.001 per share, to each holder of outstanding options determined based on the strike price of the outstanding options as follows:

Option Shares underlying Options with a Strike Price of:	Will be converted into the following number of shares of Common Stock
\$1.50 or less	1 Share
More than \$1.50 and less than \$2.50	3/4 share
More than \$2.50	1/2 share

On June 28, 2024, the Company entered into cancellation agreements with each of the holders of outstanding options thereby cancelling such options and issuing restricted shares of common stock of the Company to such holder. A total of 125,000 outstanding options from the 2012 Plan were converted into 124,375 restricted common shares of the company.

On June 16, 2023, the Company cancelled 62,500 stock options from the 2012 Plan which had previously been issued to five members of the Company’s Board of Directors as compensation during the calendar year ended December 31, 2013. The options were soon to expire, and the Company determined to grant an equivalent number of new option awards under the 2023 Plan (*See Note 17*).

During the nine months ended September 30, 2024 and 2023, the Company granted no stock options under the 2012 Plan and recognized no stock compensation expense relating to the vesting of stock options issued from the 2012 Plan.

As of September 30, 2024, the 2012 Plan had been terminated and all outstanding options had been converted to restricted common shares of the company.

	Options from 2012 Plan
Options Issued from 2012 Plan as of December 31, 2023	252,000
Securities Granted	-
Securities exercised	-
Securities cancelled and reissued under 2023 Plan	(127,000)
Securities cancelled and converted to common shares	(125,000)
Options Issued from 2012 Plan as of September 30, 2024	-

NOTE 15 – 2015 STOCK OPTION AND STOCK AWARD PLAN

During the year ended December 31, 2015, the Company’s stockholders approved the 2015 Stock Option and Stock Award Plan (the “2015 Plan”), which was established to advance the interest of the Company and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Company and by motivating such persons to contribute to the growth and profitability of the Company.

The maximum aggregate number of (i) shares of stock that may be issued under the 2015 Plan, and (ii) shares of stock with respect to which stock appreciation rights may be granted, is 1,500,000 and consists of authorized but unissued or reacquired shares of stock or any combination thereof. Such number of shares of stock may be issued under the 2015 Plan pursuant to incentive stock options, non-statutory stock options, restricted stock grants, stock appreciation right grants or any combination thereof, so long as the aggregate number of shares so issued does not exceed such number of shares, as adjusted.

The 2015 Plan continues in effect until the earlier of its termination by the Board or the date on which all the shares of stock available for issuance under the 2015 Plan have been issued and all restrictions on such shares under the terms on the 2015 Plan and the agreements evidencing awards granted under the 2015 Plan have lapsed. However, all awards shall be granted, if at all, within ten years from the earlier of the date the 2015 Plan is adopted by the Board or the date the 2015 Plan is duly approved by the stockholders of the Company.

On June 25, 2024, the Board unanimously approved by written consent to terminate the 2015 Plan and that such termination would not adversely affect any outstanding award holder. In consideration of such cancellation of the 2015 Plan, the Board approved the issuance of a number of shares of the Company’s common stock, par value \$0.001 per share, to each holder of outstanding options determined based on the strike price of the outstanding options as follows:

Option Shares underlying Options with a Strike Price of:	Will be converted into the following number of shares of Common Stock
\$1.50 or less	1 Share
More than \$1.50 and less than \$2.50	3/4 share
More than \$2.50	1/2 share

On June 28, 2024, the Company entered into cancellation agreements with each of the holders of outstanding options thereby cancelling such options and issuing restricted shares of common stock of the Company to such holder. A total of 783,000 outstanding options from the 2015 Plan were converted into 642,375 restricted common shares of the company.

During the nine months ended September 30, 2024, and 2023, the Company granted no stock options under the 2015 Plan and recognized no stock compensation expense relating to the vesting of stock options issued from the 2015 Plan.

As of September 30, 2024, the 2015 Plan had been terminated and all outstanding options had been converted to restricted common shares of the company.

	<u>Options</u>
Stock and Options Issued from 2015 Plan as of December 31, 2023	783,000
Securities Granted	-
Securities exercised	-
Securities cancelled and converted to common shares	(783,000)
Stock and Options Issued from 2015 Plan as of September 30, 2024	<u>-</u>

NOTE 16 – 2018 STOCK OPTION AND STOCK AWARD PLAN

Effective February 12, 2018, the Board of Directors of the Company approved and adopted the 2018 Stock Option and Stock Award Plan (the “2018 Plan”), which was established to advance the interest of the Company and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Company and by motivating such persons to contribute to the growth and profitability of the Company. The Company’s named executive officers are eligible for grants or awards under the 2018 Plan. The Company’s stockholders approved the 2018 Plan on June 8, 2018.

The maximum aggregate number of (i) shares of stock that may be issued under the 2018 Plan and (ii) shares of stock with respect to which stock appreciation rights may be granted, is 1,500,000 and consists of authorized but unissued or reacquired shares of stock or any combination thereof. Such number of shares of stock may be issued under the 2018 Plan pursuant to incentive stock options, non-statutory stock options, restricted stock grants, restricted stock units, stock appreciation right grants or any combination thereof, so long as the aggregate number of shares so issued does not exceed such number of shares, as adjusted.

The 2018 Plan continues in effect until the earlier of its termination by the Board or the date on which all shares of stock available for issuance under the 2018 Plan have been issued and all restrictions on such shares under the terms on the 2018 Plan and the agreement evidencing awards granted under the 2018 Plan have lapsed. However, all awards shall be granted, if at all, within ten years from the earlier of the date the 2018 Plan is adopted by the Board or the date the 2018 Plan is duly approved by the stockholders of the Company.

On June 25, 2024, the Board unanimously approved by written consent to terminate the 2018 Plan and that such termination would not adversely affect any outstanding award holder. In consideration of such cancellation of the

2018 Plan, the Board approved the issuance of a number of shares of the Company’s common stock, par value \$0.001 per share, to each holder of outstanding options determined based on the strike price of the outstanding options as follows:

Option Shares underlying Options with a Strike Price of:	Will be converted into the following number of shares of Common Stock
\$1.50 or less	1 Share
More than \$1.50 and less than \$2.50	3/4 share
More than \$2.50	1/2 share

On June 28, 2024, the Company entered into cancellation agreements with each of the holders of outstanding options thereby cancelling such options and issuing restricted shares of common stock of the Company to such holder. A total of 850,000 outstanding options from the 2018 Plan were converted into 677,500 restricted common shares of the company.

During the nine months ended September 30, 2024 and 2023, the Company granted no stock options under the 2018 Plan and recognized no stock compensation expense relating to the vesting of stock options issued from the 2018 Plan.

During the nine months ended September 30, 2023, there were 631,250 stock options forfeited or expired which had previously been issued to key employees from the 2018 Plan and the employees did not exercise such options within 90 days subsequent to the end of their employment with the Company.

As of September 30, 2024, the 2018 Plan had been terminated and all outstanding options had been converted to restricted common shares of the company.

	<u>Options</u>
Stock and Options Issued from 2015 Plan as of December 31, 2023	850,000
Securities Granted	-
Securities exercised	-
Securities cancelled and converted to common shares	(850,000)
Stock and Options Issued from 2015 Plan as of September 30, 2024	<u>-</u>

NOTE 17 – 2023 STOCK OPTION AND STOCK AWARD PLAN

Effective May 31, 2023, the Board of Directors and stockholders of the Company approved and adopted the 2023 Stock Option and Stock Award Plan (the “2023 Plan”), which was established to advance the interest of the Company and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Company and by motivating such persons to contribute to the growth and profitability of the Company. The Company’s named executive officers are eligible for grants or awards under the 2023 Plan.

The maximum aggregate number of (i) shares of stock that may be issued under the 2023 Plan and (ii) shares of stock with respect to which stock appreciation rights may be granted, is 1,500,000, plus the number of shares of stock underlying any award granted under any of the Company’s 2012 Plan, 2015 Plan, or 2018 Plan that expires, terminates or is canceled or forfeited under the terms of such plan, for issuance under such plan, and consists of authorized but unissued or reacquired shares of stock or any combination thereof. Such number of shares of stock may be issued under the 2023 Plan pursuant to incentive stock options, non-statutory stock options, restricted stock grants, restricted stock units, stock appreciation right grants or any combination thereof, so long as the aggregate number of shares so issued does not exceed such number of shares, as adjusted.

The 2023 Plan continues in effect until the earlier of its termination by the Board or the date on which all shares of stock available for issuance under the 2023 Plan have been issued and all restrictions on such shares under the terms on the 2023 Plan and the agreement evidencing awards granted under the 2023 Plan have lapsed. However, all awards shall be granted, if at all, within ten years from the earlier of the date the 2023 Plan is adopted by the Board or the date the 2023 Plan is duly approved by the stockholders of the Company.

On June 25, 2024, the Board unanimously approved by written consent to terminate the 2023 Plan and that such termination would not adversely affect any outstanding award holder. In consideration of such cancellation of the 2023 Plan, the Board approved the issuance of a number of shares of the Company's common stock, par value \$0.001 per share, to each holder of outstanding options determined based on the strike price of the outstanding options as follows:

Option Shares underlying Options with a Strike Price of:	Will be converted into the following number of shares of Common Stock
\$1.50 or less	1 Share
More than \$1.50 and less than \$2.50	3/4 share
More than \$2.50	1/2 share

On June 28, 2024, the Company entered into cancellation agreements with each of the holders of outstanding options thereby cancelling such options and issuing restricted shares of common stock of the Company to such holder. A total of 479,500 outstanding options from the 2023 Plan were converted into 479,000 restricted common shares of the company.

On June 4, 2024, the Company issued a total of 127,000 nonqualified stock options from the 2023 Plan with a weighted exercise price of \$1.50 as replacement options for the cancelled options previously issued to five members of the Company's Board of Directors and one key employee under the 2012 Plan (See Note 14). The stock options granted had an approximate fair value of \$58,286.33 determined using the Black-Scholes option pricing model. The weighted average assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 4.55% (ii) estimated volatility of 291.28% (iii) dividend yield of 0.00% and (iv) expected life of all options averaging eight years.

On June 17, 2024, the Company issued a total of 55,000 nonqualified stock options from the 2023 Plan with a weighted exercise price of \$1.50. The stock options granted had an approximate fair value of \$26,671.75 determined using the Black-Scholes option pricing model. The weighted average assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 4.50% (ii) estimated volatility of 278.25% (iii) dividend yield of 0.00% and (iv) expected life of all options averaging eight years.

On March 25, 2024, the Company issued a total of 45,000 nonqualified stock options from the 2023 Plan with a weighted exercise price of \$1.50. The stock options granted had an approximate fair value of \$18,674 determined using the Black-Scholes option pricing model. The weighted average assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 4.39% (ii) estimated volatility of 289.38% (iii) dividend yield of 0.00% and (iv) expected life of all options averaging eight years.

On June 16, 2023, the Company issued a total of 62,500 nonqualified stock options from the 2023 Plan with a weighted exercise price of \$1.50 as replacement options for the cancelled options previously issued to five members of the Company's Board of Directors under the 2012 Plan (Note 14). The stock options granted had an approximate fair value of \$46,875 determined using the Black-Scholes option pricing model. The weighted average assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 4.32% (ii) estimated volatility of 802.52% (iii) dividend yield of 0.00% and (iv) expected life of all options averaging eight years.

On June 16, 2023, the Company granted an option to purchase 100,000 shares of the Company's common stock to a key employee from the 2023 Plan with a strike price of \$1.50 per share and vesting in equal fifty (50%) portions on

the first year (1st) after date of grant and second (2nd) year after the date of grant. The stock option had an approximate value of \$75,000 determined by the Black-Scholes option pricing model. The weighted average assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 4.32% (ii) estimated volatility of 802.52% (iii) dividend yield of 0.00% and (iv) expected life of all options averaging eight years.

As of March 31, 2024, the Company had outstanding granted stock options from the 2023 Stock Option and Stock Award Plan, net of forfeitures to purchase of 297,500 shares and 1,127,500 shares remaining available for issuance summarized as follows:

For the three and nine months ended September 30, 2024 and 2023, the Company expensed the following related to the 2023 Plan:

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
2023 Stock Plan compensation expense	\$ -	\$ -	\$ 42,111	\$ -

As of September 30, 2024, the 2023 Plan had been terminated and all outstanding options had been converted to restricted common shares of the company.

	<u>Options</u>
Stock and Options Issued from 2023 Plan as of December 31, 2023	252,500
Securities Granted	227,000
Securities exercised	-
Securities cancelled and converted to common shares	(479,500)
Stock and Options Issued from 2023 Plan as of September 30, 2024	<u>-</u>

NOTE 18 – NONQUALIFIED STOCK OPTIONS GRANTED OUTSIDE OF A STOCK OPTION OR STOCK AWARD PLAN

In September 2022, the Company entered into stock option grant agreements with five non-employee members of the Company's Board of Directors whereby the Company agreed to grant non-qualified stock options outside of a stock option or a stock award plan during the months of September 2022, December 2022, March 2023, and June 2023 as compensation for services.

During the nine months ended September 30, 2024 and 2023, there were no stock options issued to members of the Company's Board of Director's outside of a stock option or stock award plan.

During the nine months ended September 30, 2023, pursuant to the aforementioned Board of Director's grant agreements, the Company granted a total of 90,000 nonqualified stock options with a weighted exercise price of \$1.50 to five nonemployee board members of the Company as compensation. The stock options granted had an approximate fair value of \$87,745 determined using the Black Scholes option pricing model. The weighted average assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 4.00% (ii) estimated volatility of 798.04% (iii) dividend yield of 0.00% and (iv) expected life of all options averaging eight years.

In June 2024, the Board unanimously approved to convert any non-qualified options issued outside of a stock option or stock award plan into shares of the Company's common stock. In consideration of the cancellation of such non-qualified options, the Board approved the issuance of a number of shares of the Company's common stock, par value \$0.001 per share, to each holder of non-qualified options determined based on the strike price of the outstanding options as follows:

Option Shares underlying Options with a Strike Price of:	Will be converted into the following number of shares of Common Stock
\$1.50 or less	1 Share
More than \$1.50 and less than \$2.50	3/4 share
More than \$2.50	1/2 share

On June 25, 2024 and June 28, 2024, the Company entered into cancellation agreements with each of the holders of outstanding non-qualified options, thereby cancelling such options totaling 1,487,230 and issuing restricted shares of common stock of the Company to such holders totaling 1,382,230.

For the three and nine months ended September 30, 2024, and 2023, respectively, the stock compensation expense associated with the non-qualified stock options issued outside of a stock option or stock award plan is as follows:

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Outside of Stock Option or Stock Award Plan	\$ -	\$ 42,745	\$ -	\$ 87,745

As of September 30, 2024, there were no non-qualified stock options granted outside of a stock option or stock award plan.

NOTE 19 – WARRANTS

The Company has issued warrants to purchase shares of the Company's common stock associated with various agreements.

During the nine months ended September 30, 2024, the Company issued warrants for a total of eight shares of the Company's common stock under a Referral Agreement whereby the sales broker introduces the Company potential electricity sales leads. The warrants have an exercise price of \$1.50 per share. The fair value of the warrants was approximately \$3 and was determined using the Black-Scholes option pricing model.

During the nine months ended September 30, 2023, the Company issued warrants for a total of five shares of the Company's common stock under a Referral Agreement whereby the sales broker introduces the Company potential electricity sales leads. The warrants have an exercise price of \$1.50 per share. The fair value of the warrants was approximately \$3 and was determined using the Black-Scholes option pricing model.

On March 10, 2023, the Company amended the warrant previously issued to Digital Lending (*See Note 8*) to purchase 250,000 shares of the Company's common. The amendment to the Digital Lending warrant was to reduce the exercise price from \$1.50 to \$0.50 per share and to extend the term of the outstanding warrant through November 11, 2025.

During the nine months ended September 30, 2024, warrants that were not exercised and expired totaled 412,202.

As of September 30, 2024, the Company had outstanding warrants to purchase up to 614,046 shares of the Company's common stock, all of which are fully vested.

NOTE 20 – ADVANCE FROM RELATED PARTY

During the month of June 2023, Neil Liebman who is the Chief Executive Officer of the Company and serves on the Company's board of directors, advanced the Company \$2,750,000.

During the nine months ended September 30, 2024, the Company accrued interest on the advances from Neil Leibman in the amount of \$6,486 at an interest rate of 12.5%.

On January 24, 2024, the Company paid Mr. Leibman the remaining principal amount due of \$769,000 in addition to total interest accrued on the advances in the amount of \$128,746.

As of September 30, 2024, and December 31, 2023, the balance owed to Mr. Leibman by the Company was \$0 and \$769,000, respectively, which is reflected as a related party loan on the balance sheet.

NOTE 21 – COMPENSATION FOR LOAN GUARANTEE

On March 14, 2023, the Company entered into a Master Revolving Note (the “Comerica Bank Note”) with Comerica Bank in the amount of \$8,000,000 with maturity date of May 1, 2024, and bearing an interest rate of the Secured Overnight Financing Rate (“SOFR”) plus 2.5% per annum. On June 7, 2023, the Company drew \$8,000,000 on the Comerica Bank Note (See Note 9).

Four members of the Company’s Board of Directors, Stuart Gaylor, Andrew Bursten, Tom O’Leary and Neil Leibman (Mr. Leibman is also an executive officer of the Company) collectively agreed to personally guarantee the Note. The Company agreed to pay interest to the four individuals with the issuance of the Company’s common stock depending on the outstanding balance due and owing under the Note.

For the three and nine months ended September 30, 2024 and 2023, the Company accrued compensation expense for the personal loan guarantee as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Guarantor compensation incurred				
Comerica Master Revolver Note	\$ 245,334	\$ 180,722	\$ 730,668	\$ 229,333

During the nine months ended September 30, 2024, the Company has issued 323,552 shares of common stock as payment as compensation for the personal guarantee on the Comerica Bank Note.

NOTE 22 – ADVANCES AND SERVICES AGREEMENT WITH PINNACLE POWER, LLC

Neil Leibman and Tom O’Leary who were partners in Pinnacle Power, LLC (“Pinnacle”) both serve on the Company’s board of directors, and Mr. Leibman is the Chief Executive Officer of the Company.

Effective April 1, 2024, Summer Midwest reclassified the outstanding accounts receivable from Pinnacle in the amount of \$661,146 and such amount was capitalized as customer acquisition costs as the Pinnacle customer contracts were transferred to Summer Midwest. The Services Agreement between Summer Midwest and Pinnacle was terminated due to Pinnacle dissolving and ceasing business. The acquisition costs associated with the Pinnacle customers will be amortized over an 18-month period.

Effective January 1, 2023, the Company’s subsidiary, Summer Midwest, entered into a Services Agreement with Pinnacle. Summer Midwest is to provide billing, collections, back-office service including supply and scheduling services, customer service and accounting services on behalf of Pinnacle in exchange for a fee of \$6,000 per month.

During the year ended December 31, 2022, the Company paid the Renewable Energy Credits (“RECS”) on behalf of Pinnacle Power, LLC (“Pinnacle”) in the amount of \$50,538 and the Company provided \$62,732 of back-office services to Pinnacle. On June 15, 2023, Pinnacle reimbursed the Company the \$50,538.

As of September 30, 2024, and December 31, 2023, accounts receivable from Pinnacle to the Company was in the amount of \$0 and \$660,146, respectively, which is included in the related party accounts receivable in the balance sheet.

NOTE 23 – ADVANCES TO HORIZON POWER AND LIGHT, LLC

Neil Leibman and Tom O’Leary who are partners in Horizon Power and Light, LLC (“HPL”) both serve on the Company’s board of directors, and Mr. Leibman is an executive officer of the Company.

During the nine months ended September 30, 2024, the Company advanced a total of \$165,712 to HPL for operating expenses and the Company has been repaid by HPL in the amount of \$571,000.

As of September 30, 2024, and December 31, 2023, accounts receivable due to the Company by HPL totaled \$651,123 and \$1,056,411, respectively, which is included in the related party accounts receivable in the balance sheet.

NOTE 24 – SUMMER ENERGY 401(K) PLAN

In January 2017, the Company adopted a qualified 401(K) Retirement Plan (the “Plan”) whereby eligible employees may elect to save for retirement on a tax-advantaged basis. There are two types of salary deferrals: pre-tax 401(K) deferrals and Roth 401(K) deferrals. Eligible employee participants are automatically enrolled at 3% of compensation unless a participant elects an alternative deferral percentage limited to dollar amount of \$23,000 in 2024 or elects not to defer under the Plan. There is no Company match to the Plan for the periods ended September 30, 2024 and 2023, respectively.

NOTE 25 – EMPLOYEE STOCK PURCHASE PLAN

Effective May 2017, the Company began offering an Employee Stock Purchase Plan (the “ESPP”) whereby eligible employees may elect to purchase common stock of the Company through a registered broker/dealer. Eligible employees who so elect may authorize payroll deductions for contributions to the ESPP up to a maximum of \$25,000 each calendar year. The Company will match 10% of eligible employee contributions up to an aggregate maximum of \$24,000 for all ESPP participants (not each individual ESPP participant).

Effective September 2023, the Company terminated withholding funds from employee’s payroll in anticipation of ceasing the ESPP. During the quarter ended September 30, 2024, all funds previously withheld from employee’s payroll that had not been utilized to purchase common stock of the Company by the registered broker/dealer were returned to all employees/former employees and the common stock purchased on behalf of employees/former employees was distributed to each in their individual name by the registered broker/dealer.

The employer match for the three and nine months ended September 30, 2024, and 2023, respectively, is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Employee Stock Purchase Plan	\$ -	\$ 312	\$ -	\$ 1,204

NOTE 26 – HARTMAN JUDGEMENT

On May 26, 2021, the Company filed a lawsuit against Hartman Income REIT Management, Inc. (“Hartman”) in state court in Harris County, Texas. In this lawsuit, the Company sought to collect approximately \$8,400,000 owed by Hartman under one or more electricity sales agreements at indexed prices related to Winter Storm Uri. On March 24, 2022, the court entered a judgement in favor of the Company against Hartman in the amount of \$7,871,000 plus

customary pre- and post-judgment interest and attorney's fees. On April 25, 2022, Hartman filed a surety bond totaling approximately \$2,197,000 to suspend enforcement of the judgment and appealed the judgment.

On March 7, 2024, the Court of Appeals denied Hartman's motion for rehearing.

On April 2, 2024, the Defendant filed a motion for extension of time to file its petition for review in the Texas Supreme Court.

On May 3, 2024, the Company and Hartman entered into a settlement agreement whereby Hartman shall pay the Company an agreement of \$8,650,000.

On May 6, 2024, the Company, together with Hartman, filed an agreed motion with the trial court releasing the Supersedeas Bond in connection with the Hartman settlement.

On May 9, 2024, the Company received full payment of the settlement amount of \$8,650,000 from Hartman of which \$7,9525,646 was applied against outstanding accounts receivable of the Company by Hartman and \$1,119,355 was recognized in other income in the statement of operations.

On May 10, 2024, the Company withdrew from its lawsuit against Hartman and dismissed with prejudice with respect to refiling its claims against Hartman.

On May 16, 2024, Company and Hartman filed an agreed satisfaction of judgment with the trial court in connection with the Hartman settlement.

Pursuant to the EDF Transition Agreement, the Company will pay or cause to be paid to EDF an amount of \$2 million dollars from the damages received from Hartman Recovery (*See Note 10*). The Company did not make payment in the amount the \$2 million to EDF and as a result, the Company is in default of the EDF Transition Agreement.

NOTE 27 – SUBSEQUENT EVENTS

On October 18, 2024, the utility collateral funding from CenterPoint Energy of approximately \$626,703 was returned to the Company (*see Note 5*).

In October and November 2024, the Company made payments to Comerica of \$1,100,000.

On November 1, 2024, the Company entered into an equity purchase agreement with Federal Power & Gas, LLC and sold 100% of the equity of Summer Energy Northeast, LLC. The Company received proceeds of \$450,000.

On December 20, 2024, Engie provided notice to the Company that Engie expressly reserves all rights, powers, privileges and remedies under the Engie Facility Agreement and ISDA Agreement due to the ongoing Events of Default by the Company.

In preparing the consolidated financial statements, the Company has evaluated all subsequent events and transactions for potential recognition or disclosure through December 27, 2024, the date the consolidated financial statements were available for issuance.

Item 4. Management’s Discussion and Analysis or Plan of Operation

The following discussion of our financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report. This Quarterly Report contains forward-looking statements. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “may,” “will” and variations of these words or similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements because of various factors. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements.

Due to possible uncertainties and risks, readers are cautioned not to place undue reliance on the forward-looking statements contained in this Quarterly Report, which speak only as of the date of this Quarterly Report, or to make predictions about future performance based solely on historical financial performance. We disclaim any obligation to update forward-looking statements contained in this Quarterly Report.

Recent Developments

Organization

The condensed consolidated financial statements above include the accounts of Summer Energy Holdings, Inc. and its wholly-owned subsidiaries Summer Energy, LLC (“Summer LLC”), Summer Energy Midwest, LLC (“Summer Midwest”), Summer EM Marketing, LLC (“Marketing LLC”) and Summer Energy Northeast, LLC (“Summer Northeast”) (collectively referred to as the “Company,” “we,” “us,” or “our”). All significant intercompany transactions and balances have been eliminated in these consolidated financial statements.

On March 27, 2012, Summer LLC became a wholly-owned subsidiary of Summer Energy Holdings, Inc. (previously known as Castwell Precast Corporation) through a reverse acquisition transaction, which resulted in the former members of Summer LLC owning approximately 92.3% of Summer Energy Holdings, Inc.’s outstanding common stock. The transaction was treated as a recapitalization of Summer LLC, and Summer LLC (and its historical financial statements) is the continuing entity for financial reporting purposes.

Summer LLC is a Retail Electricity Provider (“REP”) in the state of Texas under a license with the Public Utility Commission of Texas (“PUCT”). Summer LLC procures wholesale energy and resells to commercial and residential customers. Summer LLC was organized on April 6, 2011, under the laws of the state of Texas.

Marketing, LLC was formed in the state of Texas on November 6, 2012, to provide marketing services to Summer LLC.

Summer Midwest was formed in the state of Ohio on December 16, 2013, to procure and sell electricity in the state of Ohio. The Public Utilities Commission of Ohio issued a certificate as a to Summer Midwest on June 16, 2015, certifying it as a Retail Electric Service Provider (“REP”). On May 2, 2019, the Illinois Commerce Commission approved Summer Midwest as a REP in the state of Illinois.

Summer Northeast, a Texas limited liability company, was acquired on November 1, 2017, and became a wholly-owned subsidiary of Summer Energy Holdings, Inc. Summer Northeast is a REP serving electric load to both residential and commercial customers in New Hampshire and Massachusetts. During 2023, all customers in New Hampshire transferred to other retail electric providers. On March 11, 2024, the Company notified the New Hampshire Department of Energy that it no longer served any customers in the State of New Hampshire and was withdrawing its Competitive Electric Power Supplier Registration.

Plan of Operation

Our wholly-owned subsidiary, Summer LLC, is a licensed REP in the state of Texas. In general, Texas regulatory structure permits REPs, such as Summer LLC, to procure and sell electricity at unregulated prices. REPs pay the local transmission and distribution utilities a regulated tariff rate for delivering electricity to their customers. As a REP, Summer LLC sells electricity and provides the related billing, customer service, collections, and remittance services to residential and commercial customers. Summer LLC offers retail electricity to commercial and residential customers in designated target markets within the state of Texas. In the commercial market, the primary target is small to medium-sized customers (less than one megawatt of peak usage), but we also selectively pursue larger commercial customers through Management's existing, historical relationships. Residential customers are a secondary target market. Most of Summer LLC's customers are in the Houston and Dallas-Fort Worth metropolitan areas; although, we anticipate a growing number will be in a variety of other metropolitan and rural areas within Texas. We began delivering electricity to customers in the Texas market mid-February 2012.

Our wholly-owned subsidiary, Summer Northeast, is a licensed REP in the states of Massachusetts and New Hampshire. In general, the regulatory structure in these states permits REPs, such as Summer Northeast, to procure and sell electricity at unregulated prices. As a REP, Summer Northeast sells electricity to residential and commercial customers. In the commercial market, the primary target is small to medium-sized customers (less than one megawatt of peak usage), but we will also selectively pursue larger commercial customers through Management's existing, historical relationships. Residential customers are a secondary target market. The Company will experience a continued reduction in its customer base in the Northeast market as the business is winding down in the ISO New England market. As of the date of this Report, Summer Northeast sold electricity in Massachusetts.

Our wholly-owned subsidiary, Summer Midwest, is a licensed REP in the states of Ohio, Illinois, and Pennsylvania. In general, the regulatory structure in these states permits REPs, such as Summer Midwest, to procure and sell electricity at unregulated prices. As a REP, Summer Midwest sells electricity to residential and commercial customers. In the commercial market, the primary target is small to medium-sized customers (less than one megawatt of peak usage), but we will also selectively pursue larger commercial customers through Management's existing, historical relationships. Residential customers are a secondary target market. Summer Midwest began flowing electricity in the state of Ohio, which is in the Pennsylvania, Jersey, Maryland Power Pool ("PJM") market, during the month of July 2019, in the state of Illinois during the month of January 2020, and in the state of Pennsylvania during the month of August 2020.

Results of Operations

The success of our business and our profitability is impacted by a number of drivers, with customer growth and weather conditions being at the forefront.

Customer Growth

Customer growth is a key driver of our operations as well as our ability to acquire customers organically, by acquisition or through customer attrition. Our organic sales strategies are designed to offer competitive pricing and price certainty to residential and commercial customers. We manage growth on a market-by-market basis by developing price curves in each of the markets we serve and comparing the market prices to the price offered by the local regulated utility. We then determine if there is an opportunity in a particular market based on our ability to create a competitive product on economic terms that provides customer value and satisfies our profitability objectives. We develop marketing campaigns using a combination of sales channels. Our marketing team continuously evaluates the effectiveness of each customer acquisition channel and adjusts to achieve desired targets. Customer attrition occurs primarily as a result of: (i) customer-initiated switches; (ii) residential moves and (iii) disconnection resulting from customer payment defaults. Our customer growth strategy includes growing organically through traditional sales channels complemented by customer portfolio and business acquisitions as well as our expansion into new markets.

In 2024, the Company's strategy is to focus on the ERCOT pre-paid market as well as the commercial market in the both the ERCOT and PJM markets. Management plans to continue to execute on its current sales and marketing program to solicit commercial accounts and pre-paid customers where they make sense economically or strategically.

Weather Conditions

Weather conditions are a key driver to our success and weather directly influences the demand for electricity and affects the prices of energy commodities. We are particularly sensitive to this variability with our residential customers in which energy is highly sensitive to weather conditions that impart heating and cooling demand. Our hedging strategy is based on forecasted customer energy usage, which can vary substantially because of weather patterns deviating from historical norms. Our risk management policies direct that we hedge substantially all our forecasted demand, which is typically hedged to long-term weather patterns. We also attempt to add additional contracts from time to time to protect us from volatility in markets where we have historically experienced higher exposure to extreme weather conditions. Because we attempt to match commodity purchases to anticipated demand, unanticipated changes in weather patterns can have a significant impact on our operating results and cash flows from period to period.

Three Months Ended September 30, 2024, compared to the Three Months Ended September 30, 2023

Revenue – For the quarter ended September 30, 2024, we generated \$77,822,654 in electricity revenue from continuing operations primarily from commercial customers, and from various long and short-term residential customers. The majority of our revenue comes from the flow of electricity to customers and includes revenues from contract cancellation fees, disconnection fees and late fees of \$1,403,331.

Revenues from continuing operations for the quarter ended June 30, 2023, were \$77,238,506 from electricity revenue and includes \$1,620,786 from cancellation and disconnection and late fees.

	For the Three Months Ended September 30,							
	2024		2023		Variances			
	Delivered Volume (Mwh)	\$	Delivered Volume (Mwh)	\$	Change in Delivered Volume (Mwh)	Volume Percentage Change	Change in \$	\$ Percentage Change
<i>Electricity Revenues from Contracts with Customers</i>								
ERCOT Market	605,397	\$ 67,774,631	489,775	\$ 65,781,189	115,622	23.61%	\$ 1,993,442	3.03%
ERCOT Pre-Paid Market	11,657	2,017,022	13,586	3,026,742	(1,929)	-14.20%	(1,009,720)	-33.36%
Northeast Market	389	200,190	785	403,777	(396)	-50.45%	(203,587)	-50.42%
Midwest Market	96,357	6,427,480	81,820	6,406,012	14,537	17.77%	21,468	0.34%
<i>Total</i>	713,800	76,419,323	716,409	75,617,720	127,834	21.82%	801,603	1.06%
<i>Other Revenues:</i>								
Fees Revenue		1,403,331		1,620,786			(217,445)	-13.42%
<i>Total Revenues:</i>		\$ <u>77,822,654</u>		\$ <u>77,238,506</u>			\$ <u>584,148</u>	0.76%

Total revenues for the quarter ended September 30, 2024, compared to September 30, 2023, overall increased by approximately .76%. In the ERCOT market, the commercial revenue increased by 3.03% and the prepaid revenues decreased by 33.36%. The Northeast market had a 50.42% decrease in revenue related to the continued decrease in customers during the second quarter of 2024 compared to the second quarter of 2023 as the Company continues to execute its plan to exit the Northeast market and only serves customers in the state of Massachusetts. The Company began flowing electricity in the PJM market in July 2019 and the anticipated customer base, as this market grows, will consist of residential and commercial customers. Revenues in the PJM market increased .34% for the quarter ended September 30, 2024, compared to September 30, 2023.

In 2024, management plans to continue to execute on its current sales and marketing program to focus and solicit individual commercial and residential customers in the Midwest market and solely on commercial and prepaid in the ERCOT market.

Cost of Goods Sold and Gross Margin – For the three months ended September 30, 2024, cost of goods sold and gross profit totaled \$74,304,048 and \$3,518,606, respectively. Cost of goods sold and gross margin for the three months ended September 30, 2023, was \$81,083,137 and \$(3,844,631), respectively.

	<u>For the Three Months Ended September 30,</u>			<u>Percentage Variance</u>
	<u>2024</u>	<u>2023</u>	<u>Variance</u>	
Revenue	\$ 77,822,654	\$ 77,238,506	\$ 584,148	0.76%
Cost of goods sold				
Power purchases and balancing/ancillary	48,574,942	54,622,373	(6,047,431)	-11.07%
Transportation and distribution providers charge	25,729,106	26,460,764	(731,658)	-2.77%
Total cost of goods sold	74,304,048	81,083,137	(6,779,089)	-8.36
Gross Margin	\$ <u>3,518,606</u>	\$ <u>(3,844,631)</u>	\$ <u>7,363,237</u>	191.52%

The gross profit margins for the quarter ended September 30, 2024, were 191.52% higher than the quarter ended September 30, 2023, primarily due to the decrease in cost of goods sold.

	<u>For the Three Months Ended September 30,</u>			<u>Percentage Increase (Decrease)</u>
	<u>2024</u>	<u>2023</u>	<u>Increase/(decrease) in Costs (\$)</u>	
ERCOT Market	\$ 67,865,257	\$ 74,774,316	\$ (6,909,059)	-9.24%
Northeast Market	58,625	79,358	(20,733)	-26.13%
Midwest Market	6,380,166	6,229,463	150,703	2.42%
Total Cost of Goods Sold	\$ <u>74,304,048</u>	\$ <u>81,083,137</u>	\$ <u>(6,779,089)</u>	-8.36%

Cost of goods sold for the quarter ended September 30, 2024, compared to September 30, 2023, decreased by approximately 8.36%.

Operating Expenses – Operating expenses for the quarter ended September 30, 2024, totaled \$6,720,571, consisting primarily of general and administrative expenses of \$2,416,432, stock compensation of \$0, bank service fees of \$527,900, professional fees of \$262,519, outside commissions of \$2,493,298, collection fees/sales verification fees \$33,941, billing fees of \$267,111, and \$719,370 in credit loss allowance. Billing fees are primarily costs paid to a third-party Electronic Data Inter-Chain (EDI) provider to handle transactions between us, ERCOT and the TDSPs to produce customer bills.

Operating expenses for the quarter ended September 30, 2023, totaled 5,720,055 consisting primarily of general and administrative expenses of \$1,968,107, stock compensation of \$39,685, bank service fees of \$695,590, professional fees of \$121,651, outside commissions of \$2,304,222, collection fees/sales verification fees \$26,109, billing fees of \$249,618, and \$315,073 in credit loss allowance.

	<u>For the Three Months Ended September 30,</u>			<u>Percentage Change</u>
	<u>2024</u>	<u>2023</u>	<u>Variance</u>	
General and administrative	\$ 2,416,432	\$ 1,968,107	\$ 448,325	22.78%
Stock compensation	0	39,685	(39,685)	-100.00%
Bank service fees	527,900	695,590	(167,690)	-24.11%

Professional fees	262,519	121,651	140,868	115.80%
Outside commission expense	2,493,298	2,304,222	189,076	8.21%
Collection fees/sales verification fees	33,941	26,109	7,832	30.00%
Billing fees	267,111	249,618	17,493	7.01%
Credit loss allowance	719,370	315,073	404,297	128.32%
	<u>\$ 6,720,571</u>	<u>\$ 5,720,055</u>	<u>\$ 1,000,516</u>	17.49%

Operating expenses for the three months ended September 30, 2024, reflects an increase of 17.49% compared to the three months ended September 30, 2023.

Net Loss – Net loss for the three months ended September 30, 2024, and 2023, totaled (\$5,396,991) and (\$8,209,705), respectively.

Nine Months Ended September 30, 2024, compared to the Nine Months Ended September 30, 2023

Revenue – For the nine months ended September 30, 2024, we generated \$199,578,301 in electricity revenue primarily from commercial customers, and from the addition of various long and short-term residential customers. The majority of our revenue comes from the flow of electricity to customers. However, we also generated revenues from contract cancellation fees, disconnection fees and late fees of \$4,173,581. For the nine months ended September 30, 2023, the Company generated \$183,138,724 in electricity revenue and \$4,056,815 from contract cancellation, disconnection fees and late fees.

	For the Nine Months Ended September 30,				Variances			
	2024	2023	2024	2023	Change in Delivered Volume (Mwh)	Volume Percentage Change	Change in \$\$	\$\$ Percentage Change
<i>Electricity Revenues from Contracts with Customers</i>								
ERCOT Market	1,623,408	\$ 173,977,378	1,505,227	\$ 159,992,196	118,131	7.85%	\$ 13,985,182	8.74%
ERCOT Pre-Paid Market	28,122	5,009,724	37,013	6,926,549	(8,891)	-24.02%	(1,916,825)	-27.67%
Northeast Market	1,152	559,028	2,268	1,121,873	(1,116)	-49.21%	(562,845)	-50.17%
Midwest Market	304,259	20,032,171	245,764	15,098,106	58,495	23.80%	4,934,065	32.68%
<i>Total</i>	1,956,941	199,578,301	1,790,322	183,138,724	166,619	9.31%	16,439,577	8.98%
<i>Other Revenues:</i>								
Fees Revenue		4,173,581		4,056,815			116,766	2.88%
<i>Total Revenues:</i>		<u>\$ 203,751,882</u>		<u>\$ 187,195,539</u>			<u>\$ 16,556,343</u>	8.84%

Total revenues for the nine months ended September 30, 2024, compared to September 30, 2023, increased by approximately 8.84%. The Northeast Market had a 50.17% decrease in revenue related to the decrease in the customer base in 2024 compared to 2023 as the company continues to execute its plan to exit the Northeast market.

Cost of Goods Sold and Gross Margin – For the nine months ended September 30, 2024, cost of goods sold and gross profit totaled \$184,493,992 and \$19,257,890, respectively. Cost of goods sold and gross profit in the nine months ended September 30, 2023, totaled \$171,529,601 and \$15,665,938.

	<u>For the Nine Months Ended September 30,</u>			<u>Percentage Variance</u>
	<u>2024</u>	<u>2023</u>	<u>Variance</u>	
Revenue	\$ 203,751,882	\$ 187,195,539	\$ 16,556,343	8.84%
Cost of goods sold				
Power purchases and balancing/ancillary	114,844,184	104,022,142	10,822,042	10.40%
Transportation and distribution providers charge	69,649,808	67,507,459	2,142,349	2.17%
Total cost of goods sold	184,493,992	171,529,6014	12,964,391	7.56%
Gross Margin	\$ <u>19,257,890</u>	\$ <u>15,665,938</u>	\$ <u>3,591,952</u>	22.93%

Delivered volumes were higher during the nine months ended September 30, 2024, compared to September 30, 2023, by 7.56%, while profit margins for the nine months ended September 2024 were 22.93% higher than the nine months ended September 30, 2023, due to the decrease in power costs driven by the sale of excess power of approximately \$11,000,000 during the nine months ended September 30, 2024.

	<u>For the Nine Months Ended September 30,</u>			
	<u>2024</u>	<u>2023</u>	<u>Increase/(decrease) in Costs (\$)</u>	<u>Percentage Increase (Decrease)</u>
ERCOT Market	\$ 164,776,577	\$ 155,546,103	\$ 9,230,474	5.93%
Northeast Market	146,952	360,260	(213,308)	-59.21%
Midwest Market	19,570,463	15,623,238	3,947,225	25.27%
	\$ <u>184,493,991</u>	\$ <u>171,529,601</u>	\$ <u>12,964,391</u>	7.56%

The nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, reflects 22.93% higher profit margin due to the decrease in power costs driven by the sale of excess power of \$11,000,000 during the nine months ended September 30, 2024.

Operating Expenses – Operating expenses for the nine months ended September 30, 2024, totaled \$18,119,136 consisting primarily of general and administrative expenses of \$7,163,134, stock compensation expense of \$241,204, bank service fees of \$1,480,372, commission expense of \$5,927,553, collection fees/sales and verification fees of \$66,480, professional fees of \$954,615, billing fees \$819,225 and credit loss allowance \$1,466,553.

Operating expenses for the nine months ended September 30, 2023, totaled \$17,227,849 consisting primarily of general and administrative expenses of \$6,463,930, stock compensation expense of \$166,925, bank service fees of \$1,480,732, commission expense of \$5,927,553, collection fees/sales and verification fees of \$66,480, professional fees of \$954,615, billing fees of \$819,225 and \$1,466,553 for credit loss allowance.

For the Nine Months Ended September 30,

	<u>2024</u>	<u>2023</u>	<u>Variance</u>	<u>Percentage Change</u>
General and administrative	\$ 7,163,134	\$ 6,463,930	\$ 699,204	10.82%
Stock compensation	241,204	166,925	74,279	44.50%
Bank service fees	1,480,372	1,870,827	(390,455)	-20.87%
Professional fees	954,615	1,125,466	(170,851)	-15.18%
Outside commission expense	5,927,553	5,612,801	314,752	5.61%
Collection fees/sales verification fees	66,680	79,686	(13,206)	-16.57
Billing fees	819,225	752,832	66,393	8.82%
Credit loss allowance	1,466,553	1,155,382	311,171	26.93%
	<u>\$ 18,119,136</u>	<u>\$ 17,227,849</u>	<u>\$ 891,287</u>	5.17%

Operating expenses for the nine months ended September 30, 2024, reflect an increase of 5.17% as compared to the nine months ended September 30, 2023. This increase was primarily attributable to the increase in professional fees and credit losses during 2024.

Net Income – Net income for the nine months ended September 30, 2024, was \$7,630,206, and the net income was \$3,620,806 for the nine months ended September 30, 2023.

Liquidity and Capital Resources

As of September 30, 2024, and December 31, 2023, our cash totaled \$1,786,762 and \$814,543, respectively. Our principal cash requirements for the quarter ended September 30, 2024, were for operating expenses and cost of goods sold (including power purchases, employee cost, and customer acquisition). During the nine months ended September 30, 2024, and 2023, the primary source of cash was from electricity revenues.

General – The Company’s increase in net cash flow during the first nine months of 2024 is attributable to \$4,370,546 cash provided by operating activities, cash provided from investing activities of \$(24,898), and \$1,923,002 used in financing activities, which includes \$1,102,815 repayment of debt to Digital Lending.

The Company’s increase in net cash flow during the first nine months of 2023 is attributable to \$5,764,727 cash used by operating activities. \$6,431 and \$7,245,247 provided in financing activities of which \$8,000,000 in financing from Comerica Bank and \$2,750,000 from a related party advance.

The Company has no present agreements or commitments with respect to any material acquisitions of other businesses, products, product rights or technologies. However, we will continue to evaluate acquisitions of and/or investments in products, technologies, or companies that complement our business and may make such acquisitions and/or investments in the future. Accordingly, we may need to obtain additional sources of capital in the future to finance any such acquisitions and/or investments. We may not be able to obtain such financing on commercially reasonable terms, if at all. If we can obtain additional financing, such financing may result in restrictions on our operations, in the case of debt financing, or substantial dilution for stockholders, in the case of equity financing.

Going Concern

As of September 30, 2024, the Company had a cash balance of \$1,784,762, stockholders’ equity of \$11,870,787 and liabilities, including material debt and lease obligations, of \$83,029,091.

On September 11, 2023, the Company did not make the required payment of \$2,000,000, and on November 11, 2023, the Company did not make the additional \$5,000,000 required payment to Digital Lending. The non-payment of both required amounts is an event of default under the Digital Lending Documents (defined below). The Company had five business days to cure the default, which the Company did not cure. Under the Digital Lending Documents, an event

of default triggers an increase of the interest rate of the Revolving Note (defined below) to the lower of twenty percent (20%) per annum and the maximum rate permitted by law. This default resulted in a default on Facility Agreement (defined below) with Engie Energy Marketing NA, Inc. (“Engie”). See Notes 7 and 10 for additional information. As a result of the defaults, the Facility Agreement with Engie can be called. As a result of these circumstances, the Company believes its existing cash, together with any positive cash flows from operations, may not be sufficient to support working capital and capital expenditure requirements for the next 12 months if the Facility Agreement is not renewed or called and the Company may be required to seek additional financing from outside sources.

Management’s plans to mitigate the Company’s current conditions include working with Engie, negotiating with related parties and third parties to refinance existing debt and lease obligations, cost reduction efforts and sales of customer accounts. During the nine months September 30, 2024, the Company sold excess power in the amount of \$11,000,000 and sold its ERCOT residential customers accounts to US Retailers LLC for an adjusted sales price of (See Note 4).

Notwithstanding management’s plans, there can be no assurance that the Company will be successful in its efforts to address its current liquidity and capital resource constraints. These conditions raise substantial doubt about the Company’s ability to continue as a going concern for the next twelve months from the issuance of these consolidated financial statements. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result if the Company is unable to continue as a going concern.

Future Financing Needs

While we believe in the viability of our plan of operations and strategy to generate revenues and in our ability to raise additional funds, there can be no assurances that our plan of operations or ability to raise capital will be successful. The ability to grow is dependent upon our ability to further implement our business plan, generate revenues, and obtain additional financing, if and as needed.

Off-Balance Sheet Arrangements

Our existing wholesale power purchase agreement provides that we will provide additional credit support to cover mark-to-market risk in connection with the purchase of long-term power. A mark-to-market credit risk occurs when the price of previously purchased long term power is greater than the current market price for power purchased for the same term. While we believe that the current environment of historically low power prices limits our exposure to risk, a collateral call, should it occur, could limit our working capital and, if we fail to meet the collateral call, could cause liquidation of power positions.

As of September 30, 2024, and December 31, 2023, Engie had provided on behalf of the Company transitional credit support in the amount of and ISO and Public Utility commission credit support as follows:

	As of September 30, 2024		As of December 31, 2023	
	Transitional Credit Support	ISO and Public Utility Commission Credit Support	Transitional Credit Support	ISO and Public Utility Commission Credit Support
Bonds issued to Illinois Commerce Commission and Pennsylvania Public Utility Commission	\$ 575,000	\$ -	\$ 575,000	\$ -
Letter of credit to EDF	-	-	5,500,000	-
Letter of credit to PJM	-	2,500,000	-	-
Letter of credit Public Utility Commission of Texas	-	1,500,000	-	500,000
Letter of credit Pennsylvania Public Utility Commission	-	450,000	-	250,000
Bond issued to Illinois Commerce Commission	-	500,000	-	500,000
Letter of credit ERCOT	-	3,315,001	-	2,315,001

As of December 31, 2023

\$	<u>575,000</u>	\$	<u>8,265,001</u>	\$	<u>6,075,000</u>	\$	<u>3,565,001</u>
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Related Party Transactions

During the month of June 2023, Neil Liebman who is the Chief Executive Officer of the Company and serves on the Company's board of directors, advanced the Company \$2,750,000. The Company accrued interest on the advances from Neil Liebman an interest rate of 12.5%. On January 24, 2024, the Company paid back Mr. Leibman the remaining principal amount due in the amount of \$769,000 as well as total interest accrued on the advances in the amount of \$128,746. As of September 30, 2024, and December 31, 2023, the balance owed to Mr. Leibman by the Company was \$0 and \$769,000, respectively.

On March 14, 2023, the Company entered a Master Revolving Note (the "Comerica Bank Note") with Comerica Bank in the amount of \$8,000,000 with maturity date of May 1, 2024, and bearing an interest rate of the Secured Overnight Financing Rate ("SOFR") plus 2.5% per annum. On June 7, 2023, the Company drew \$8,000,000 on the Comerica Bank Note (See Note 8). Four members of the Company's Board of Directors, Stuart Gaylor, Andrew Bursten, Tom O'Leary and Neil Liebman (Mr. Leibman is also an executive officer of the Company) collectively agreed to personally guarantee the Note. The Company agreed to pay interest to the four individuals with the issuance of the Company's common stock depending on the outstanding balance due and owing under the Note. For the nine months ended September 30, 2024, the Company accrued 485,334 in compensation expense for the personal loan guarantee and issued 323,552 shares of common stock of the Company to the guarantors as payment.

Neil Liebman and Tom O'Leary who were partners in Pinnacle Power, LLC ("Pinnacle") both serve on the Company's board of directors, and Mr. Leibman is the Chief Executive Officer of the Company. Effective April 1, 2024, Summer Midwest reclassified the outstanding accounts receivable from Pinnacle in the amount of \$661,146 and such amount was capitalized as customer acquisition costs as the Pinnacle customer contracts were transferred to Summer Midwest. The Services Agreement between Summer Midwest and Pinnacle was terminated due to Pinnacle dissolving and ceasing business. The acquisition costs associated with the Pinnacle customers will be amortized over an 18-month period. Effective January 1, 2023, the Company's subsidiary, Summer Midwest, entered into a Services Agreement with Pinnacle. Summer Midwest is to provide billing, collections, back-office service including supply and scheduling services, customer service and accounting services on behalf of Pinnacle in exchange for a fee of \$6,000 per month.

During the year ended December 31, 2022, the Company paid the Renewable Energy Credits ("RECS") on behalf of Pinnacle Power, LLC ("Pinnacle") in the amount of \$50,538 and the Company provided \$62,732 of back-office services to Pinnacle. On June 15, 2023, Pinnacle reimbursed the Company the \$50,538. At September 30, 2024, and December 31, 2023, accounts receivable from Pinnacle to the Company was in the amount of \$0 and \$660,146, respectively, which is included in the related party accounts receivable in the balance sheet.

Neil Liebman and Tom O'Leary who are partners in Horizon Power and Light, LLC ("HPL") both serve on the Company's board of directors, and Mr. Leibman is an executive officer of the Company. During the nine months ended September 30, 2024, the Company advanced a total of \$165,712 to HPL for operating expenses and the Company has been repaid by HPL in the amount of \$571,000. As of September 30, 2024, and December 31, 2023, accounts receivable due to the Company by HPL totaled \$651,123 and \$1,056,411, respectively, which is included in the related party accounts receivable in the balance sheet.

RISK FACTORS

Risks Factors Related to Our Business and Industry

We depend on key personnel.

For the foreseeable future, our success will depend largely on management's industry knowledge, marketing skills and relationships with key investors, customer bases and industry leaders. The Company has employment agreements with management and other key personnel. We do not maintain key life insurance policies for our executive officers. Should any of these individuals leave the Company, it may have a material adverse effect on our future results of operations.

Recourse to the Company's assets.

Outside of our wholesale contracts, our customer contracts and our REP certificates, the Company currently has limited assets that are available to satisfy liabilities and other obligations of the Company. If the Company becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Company's assets.

We will indemnify management and the members of the Board of Directors.

Members of our executive management ("Management") and other key decision-makers will be entitled to indemnification from the Company except in certain circumstances, as more fully set forth in our Articles of Incorporation, Bylaws, and separate indemnification agreements.

Stockholders will have no right to participate in management of the Company.

Stockholders in the Company will not have the right to participate in the management of the Company or in decisions made by Management on the Company's behalf. As a result, stockholders will have almost no control over their investments in the Company or their prospects with respect thereto.

Uncertain economic conditions.

Recent economic events have created uncertainty with respect to the condition of the economy in the United States. Certain economic factors and indicators have suggested that such events have had a substantial negative effect on the economies of the United States and the states in which we operate. Furthermore, several industries have experienced financial difficulties. Other equity markets have been similarly affected. It is impossible to determine currently the long-term effects of these events and conditions on the economy. Any negative change in the general economic conditions could adversely affect the financial condition and our operating results. Unforeseen incidents, such as terrorist attacks, corporate fraud, or general weakness in the economy, could have a negative impact on the overall economic state of the market in which we intend to market and utilize our products and services. The Company may have trouble in raising additional capital necessary for expenses and growth, may experience underfunding due to the timing of payments received and due to the seasonality of the markets in which we operate and customer electricity usage.

Adequacy of funds for operations or capital expenditures.

To the extent that the Company's expenses increase, unanticipated expenses arise, or capital expenditures are necessary, and accumulated reserves are insufficient to meet such expenses, the Company may be required to obtain cash advances and additional funds through borrowing or additional equity raises, if available. Such debt and/or equity raises may have a material negative adverse effect on the Company's profitability.

We are substantially dependent on a single party to purchase our electricity.

Our subsidiaries, Summer LLC, Summer Northeast, and Summer Midwest, are parties to an Amended and Restated Energy Services Agreement with EDFTNA whereby, with limited exceptions, they are required to purchase all their electric power and associated services requirements from EDFTNA. We therefore rely substantially on EDFTNA to meet our customers' needs. If we default in our obligations to EDFTNA, we may be unable to purchase the required electricity supply to service our customers. If we are unable to purchase through EDFTNA, we may be forced to purchase substantial electricity supply in the open market to meet customer demand at a time when energy prices are

volatile, which could have an adverse impact on our financial condition. Our obligations to EDFTNA are secured by a first position security interest in all our assets, equipment, and inventory.

Our business is dependent on retaining licenses in the markets in which we operate.

Our business model is dependent on continuing to be licensed in existing markets. If we have a license revoked or are not granted renewal of a license, or if our license is adversely conditioned or modified, it could materially and adversely affect our business, financial condition, cash flows and results of operations.

Volatile energy prices and regulatory risk.

Sustained high energy prices, ongoing price volatility, decreasing reserve margins, and changing environmental regulation all creates a risk of increased regulatory and/or legislative intervention, which may limit our flexibility within the deregulated market. In addition, ISOs, public utility commissions, and state legislatures possess significant regulatory control over our business operations in all markets. Factors outside of our control may cause changes to the deregulated electricity structure at any time, which may have an adverse effect upon our business.

The Company believes that competitive markets yield a broad range of innovative product and service alternatives to consumers and ultimately lead to the most efficient use of resources. We believe regulatory entities should continue to take actions that encourage competition in the industry, but no assurance can be given that this will be the case. Regulatory and/or legislative intervention could disrupt the market structure of electricity prices, which could impact the Company's results of operations. The Company's earnings and cash flows may also be adversely affected in any period in which the demand for power significantly varies from forecasted supply, which may occur due to, among other factors, weather events, competition, and economic conditions.

Reliance on TDSPs affiliated with our competitors to perform some functions for our customers.

Under our regulatory structure, we are often required to enter into agreements with local incumbent utilities for use of the local distribution systems, and for the creation and operation of functional interfaces necessary for us to serve our customers. While we are optimistic about our ability to enter into acceptable agreements in relevant markets, any delay in future negotiations for access or our inability to enter into reasonable agreements to operate could delay or negatively impact our ability to serve our customers, which could have a material negative impact on our business, results of operations, and financial condition.

In certain markets we are dependent on TDSPs for maintenance of the infrastructure through which we deliver electricity to our retail customers. Any infrastructure failure that interrupts or impairs delivery of electricity to our customers could negatively impact the satisfaction of our customers with our service and could have a material adverse effect on our results of operations, financial condition, and cash flow. Additionally, in certain markets we are dependent on TDSPs for performing service initiations and changes, and for reading our customers' energy meters. We are required to rely on the TDSPs, or, in some cases, ERCOT, to provide us with our customers' information regarding energy usage, and we may be limited in our ability to confirm the accuracy of the information. The provision of inaccurate information or delayed provision of such information by the TDSPs or ERCOT could have a material adverse effect on our business, results of operations, financial condition, and cash flow. In addition, any operational problems with our new systems and processes could similarly have a material adverse effect on our business, results of operations, financial condition, and cash flow. Further, we rely on the TDSPs to properly repair and maintain electrical lines in outages caused by severe weather, which may produce a delay in providing service to the Company's customers, which can negatively impact the Company.

We are subject to government regulation and extensive government regulation may increase our costs and slow our growth.

Significant regulations imposed at the federal, state, and local levels govern the provision of utility services and affect our business and our existing and potential competitors. Delays in receiving required regulatory approvals, the enactment of adverse legislation, regulations or regulatory requirements, or the application of existing laws and regulations to certain services may have a material adverse effect on our business, financial condition, results of

operations and cash flow. In addition, future legislative, judicial, and regulatory agency actions could alter competitive conditions in the markets in which we intend to operate, in ways not necessarily to our advantage.

Moreover, existing regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to our commercial activities. These actions could have a material adverse effect on our results of operations, financial conditions, and cash flows.

New legislation or regulation.

We cannot determine what effect additional state or federal governmental legislation, regulations, or administrative orders, when and if promulgated, would have on our business in the future. New legislation or regulations may require the reformulation of our business to meet new standards, require us to cease operations, impose stricter qualification and/or registration standards, impose additional record keeping, or require expanded consumer protection measures.

Reliance on information technology systems; collection of sensitive customer data.

Our business is dependent on information sharing among market participants. This information includes customer enrollment information, ERCOT transactions, meter readings, invoices for wire line charges, etc. Therefore, our success as an independent REP is impacted by our ability to handle this information, and we are dependent on third parties to provide timely and accurate information to us. We rely on a combination of internal systems including telephone, internet, load forecasting, as well as systems operated by third parties. Failure to receive timely and accurate information could have an adverse impact on our business.

We have implemented, or intend to implement, both processes and infrastructure to provide for redundancy of core data due to business interruption associated with our billing platform; however, that is only one component of our business model. In addition, our systems and those we rely upon from third parties need continued development and investment to ensure reliability and scalability as our business grows at a rapid rate.

Despite the implementation of security measures, our networks may be vulnerable to unauthorized access, computer viruses and other disruptive problems. A party who can circumvent security measures could misappropriate proprietary information or cause interruptions in our internet operations. We may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. Although we intend to continue to implement industry-standard security measures, there can be no assurance that measures implemented by us will not be circumvented in the future.

Our business requires access to sensitive customer data in the ordinary course of business. Examples of sensitive customer data are names, addresses, account information, historical electricity usage, expected patterns of use, payment history, credit bureau data, credit and debit card account numbers, driver's license numbers, social security numbers and bank account information. We may need to provide sensitive customer data to vendors and service providers who require access to this information to provide services. It is possible that our security controls over personal data, our training of employees and consultants on data security, and other practices we follow may not prevent the improper disclosure of personally identifiable information. If a significant breach occurred, our reputation may be adversely affected, customer confidence may be diminished, or our business may be subject to legal claims, any of which may contribute to the loss of customers and have a negative impact on the business and/or results of operations.

We depend on the accuracy of data in our information management systems, which subjects us to risks.

We depend on the accuracy and timeliness of our information management systems for billing, collections, consumption, and other important data. We rely on many internal and external sources for this information, including:

- our marketing, pricing, and customer operations functions; and
- various local regulated utilities and independent system operators (ISOs) for volume or meter read information, certain billing rates and billing types (e.g., budget billing) and other fees and expenses.

Inaccurate or untimely information, which may be outside of our direct control, could result in:

- inaccurate and/or untimely bills sent to customers;
- reduced effectiveness and efficiency of our operations;
- inability to adequately hedge our portfolio;
- increased overhead costs;
- inaccurate accounting and reporting of customer revenues, gross margin, and accounts receivable activity;
- inaccurate measurement of usage rates, throughput, and imbalances;
- customer complaints; and
- increased regulatory scrutiny.

We are also subject to disruptions in our information management systems arising out of events beyond our control, such as natural disasters, epidemics, failures in hardware or software, power fluctuations, telecommunications, and other similar disruptions. In addition, our information management systems may be vulnerable to computer viruses, incursions by intruders or hackers and cyber terrorists and other similar disruptions. A successful cyber-attack on our information management systems could severely disrupt business operations, preventing us from billing and collecting revenues, and could result in significant expenses to investigate and repair security breaches or system damage, lead to litigation, fines, other remedial action, heightened regulatory scrutiny, diminished customer confidence and damage to our reputation. We do not maintain cyber-liability insurance that covers certain damage caused by cyber events.

Inaccurate data and disruptions of our information management systems to perform as anticipated for any reason could materially and adversely affect our business, financial condition, cash flows and results of operations.

Certain political and natural events may affect our Company.

Catastrophic events or geo-political conditions may disrupt our business. A disruption or failure of our systems or operations in the event of a major earthquake, weather event, cyber-attack, terrorist attack, or other catastrophic event or natural disaster could cause delays in performing critical functions. A catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could harm our ability to conduct normal business operations and adversely affect our operating results.

Weather and other related commodity risks may affect our ability to manage and maintain a balanced supply/demand book.

Commitments for future purchase of electricity supply (i.e., forward power contracts) are based solely on our current customer base under contract. No speculative positions to buy or sell electricity are allowed by our internal risk policy. Long-term supply positions are consistently monitored and rebalanced due to adding or removing customers, long-term weather assumptions, and economic indicators. Short-term supply positions are also monitored and rebalanced due to changing demand positions. Short-term changes in demand are driven primarily by the weather forecasts for the geographical areas in which we operate. We plan to continue to maximize retail earnings through efficient procurement practices, with the primary goal being to protect the earnings generated by the retail business. However, fluctuations in actual weather conditions, generation availability, transmission constraints, and generation reserve margins may all have an impact on the actual power prices and the electricity consumption of our customers on a given day. Extreme weather conditions may force us to purchase electricity in the balancing market on days when weather is unexpectedly severe, and the pricing for balancing market energy may be significantly higher on such days than the cost of electricity in our existing fixed priced contracts. Unusually mild weather conditions could leave us with excess power which may be sold in the balancing market at a loss if the balancing market price is lower than the Company's cost of electricity in our existing fixed priced contracts.

Commodity pricing is an inherent risk component of our business operations and our financial results. The prevailing market prices for electricity and fuel may fluctuate substantially over relatively short periods of time, potentially adversely impacting our results of operations, financial condition, and cash flows. Changes in market prices for electricity and fuel may result from any of the following:

- weather conditions;
- seasonality;
- demand for energy commodities and general economic conditions;

- forced or unscheduled plant outages;
- disruption of electricity or gas transmission or transportation infrastructure or other constraints or inefficiencies;
- addition or reduction of generating capacity;
- environmental and emissions regulations;
- availability of competitively priced alternative energy sources;
- availability and levels of storage and inventory for fuel stocks;
- natural gas, crude oil and refined products, and coal production levels;
- the creditworthiness or bankruptcy or other financial distress of market participants;
- changes in market liquidity;
- natural disasters, wars, embargoes, pandemics, acts of terrorism and other catastrophic events; and
- Federal and state governmental regulation and legislation.

Natural disasters, public health crises, and other events beyond our control could negatively impact us and/or our suppliers or customers.

We are subject to the risk of disruption by earthquakes, hurricanes, floods and other natural disasters, fire, power shortages, geopolitical unrest, war, terrorist attacks and other hostile acts, public health issues, epidemics or pandemics and other events beyond our control and the control of the third parties on which we depend. Any of these catastrophic events, whether in the United States or abroad, may have a strong negative impact on the global economy, our employees, facilities, partners, suppliers, distributors, or customers, and could decrease demand for our products and services, create delays and inefficiencies in our supply chain and make it difficult or impossible for us to deliver products or services to our customers. For example, in December 2019 an outbreak of a novel strain of coronavirus originated in Wuhan, China, and has since spread to a number of other countries, including the United States. This outbreak may result in disruptions to our and our customer's supply chain and business operations. Global health concerns, such as coronavirus, could also result in social, economic, and labor instability in the cities and states in which we or our customers and suppliers operate and live. These uncertainties could have a material adverse effect on our business and our results of operation and financial condition. In addition, a catastrophic event that results in the destruction or disruption of our information technology systems would severely affect our ability to conduct normal business operations and, as a result, our operating results would be adversely affected.

Our financial results fluctuate on a seasonal, quarterly, and annual basis.

Our overall operating results fluctuate substantially on a seasonal, quarterly, and annual basis depending on: (1) the geographic mix of our customer base; (2) the concentration of our product mix; (3) the impact of weather conditions on commodity pricing and demand; (4) variability in market prices for electricity; and (5) changes in the cost of delivery of commodities through energy delivery networks. These factors can have material short-term impacts on monthly and quarterly operating results, which may be misleading when considered outside of the context of our annual operating cycle. In addition, our accounts payable and accounts receivable is impacted by seasonality due to the timing differences between when we pay our suppliers for accounts payable versus when we collect from our customers on accounts receivable.

Accordingly, we may experience seasonal, quarterly, and annual fluctuations, which could materially and adversely affect our business, financial condition, cash flows and results of operations.

We may have difficulty retaining our existing customers or obtaining a sufficient number of new customers, due to competition and for other reasons.

The markets in which we compete are highly competitive, and we may face difficulty retaining our existing customers or obtaining new customers due to competition. We encounter significant competition from local regulated utilities or their retail affiliates and traditional and new REPs. Many of these competitors or potential competitors are larger than us, have access to more significant capital resources, have more well-established brand names and have larger existing installed customer bases. Additionally, existing customers may switch to other REPs during their contract terms in the event of a significant decrease in the retail price of electricity in order to obtain more favorable prices. Although

we generally have a right to collect a termination fee from each customer on a fixed price contract that terminates its contract early, we may not be able to collect the termination fees in full or at all.

If we are unable to obtain new customers or maintain our existing customers, due to competition or otherwise, it could materially and adversely affect our business, financial condition, cash flows and results of operations.

We are subject to direct credit risk for certain customers who may fail to pay their bills as they become due.

We bear direct credit risk related to our customers located in markets that have not implemented purchase of accounts receivable (“POR”) programs as well as indirect credit risk in those POR markets that pass collection efforts along to us after a specified non-payment period. We generally have the ability to terminate contracts with customers in the event of non-payment, but in most states in which we operate we cannot disconnect their electricity service. In POR markets where the local regulated utility has the ability to return non-paying customers to us after specified periods, we may realize a loss for one to two billing periods until we can terminate these customers’ contracts. We may also realize a loss on fixed price customers in this scenario due to the fact that we will have already fully hedged the customer’s expected commodity usage for the life of the contract and we also remain liable to our suppliers of electricity for the cost of our supply commodities. Furthermore, in the Texas market, we are responsible for billing the distribution charges for the local regulated utility and are at risk for these charges, in addition to the cost of the commodity, in the event customers fail to pay their bills. Changing economic factors, such as rising unemployment rates and energy prices also result in a higher risk of customers being unable to pay their bills when due.

The failure of our customers to pay their bills or our failure to maintain adequate billing and collection procedures could adversely affect our financial results.

We may not be able to manage our growth successfully.

The development of our operations will depend upon, among other things, our ability to create and expand our customer base in our existing markets and to enter new markets in a timely manner and at reasonable costs. In addition, we anticipate that our employee base will grow in order for us to accommodate our increased customer base. We may experience difficulty managing the growth of a portfolio of customers that is diverse both with respect to the types of services they will require, the market rules in their jurisdiction and the infrastructure required to deliver electricity to those customers. Expanding our operations may also require continued development of our operating and financial controls and may place additional stress on our management, finances and operational resources. If we are unable to manage our growth and development successfully, our operating results and financial condition could be materially adversely affected.

Achieving the desired benefits of acquisitions may be subject to a number of challenges and uncertainties which make it hard to predict the future success of each entity.

We acquired Summer Energy Northeast, LLC (formerly known as REP Energy, LLC) with expected benefits including, among other things, operating efficiencies, entering into new markets, procurement savings, innovation, sharing of best practices and increased market share that may allow for future growth. Achieving the anticipated benefits may be subject to a number of significant challenges and uncertainties, including, without limitation, whether unique corporate cultures will work collaboratively in an efficient and effective manner, the coordination of separate organizations, the possibility of imprecise assumptions underlying expectations regarding potential synergies and the integration process, unforeseen expenses and delays, and competitive factors in the marketplace. We could also encounter unforeseen transaction and integration-related costs or other circumstances such as unforeseen liabilities or other issues. Many of these potential circumstances are outside of our control and any of them could result in increased costs, decreased revenue, decreased synergies and the diversion of management time and attention. If we are unable to achieve our objectives within the anticipated time frame, or at all, the expected benefits may not be realized fully or at all, or may take longer to realize than expected, which could have an adverse effect on our business, financial condition and results of operations.

We rely on a third-party vendor for our customer billing and transactions platform that exposes us to third party performance risk.

We have outsourced our back-office customer billing and transactions functions to a third party, and we rely heavily on the continued performance of that vendor under our commercial agreement. Failure of our vendor to operate in accordance with the terms of the agreement or the vendor's bankruptcy or other event that prevents it from performing under our agreement could materially and adversely affect our business, financial condition, cash flows and results of operations.

We face strong competition from incumbent utilities and other competitors.

The market in which the Company operates is highly competitive. The Company faces competition from many competitors with significantly greater financial resources, well-established brand names and large, existing installed customer bases. We expect the level of competition to intensify in the future. We expect significant competition from incumbent, traditional, and new electricity providers, which may be better capitalized than the Company.

In some markets, our principal competitor may be the local incumbent utility's unregulated affiliates. These affiliates have the advantage of long-standing relationships with their customers, and they may have longer operating histories, greater financial and other resources and greater name recognition in their markets than we do. In addition, incumbent utilities have been subject to regulatory oversight, in some cases for close to a century, and thus have a significant amount of experience regarding the regulators' policy preferences as well as a critical economic interest in the outcome of proceedings concerning their revenues and terms and conditions of service.

Some of our competitors, including affiliated retailers, have formed alliances and joint ventures in order to compete in the restructured, deregulated retail electricity industry. Many customers of these incumbent utilities may decide to stay with their long-time energy provider if they have been satisfied with its service in the past.

In addition to competition from the incumbent utilities and their affiliates, we face competition from a number of other energy service providers, including start-up companies focusing on internet marketing and online services, and other energy industry participants who may develop businesses that will compete with us in both local and national markets. Many of these competitors or potential competitors are larger than the Company and have access to more significant capital resources.

Payment defaults by other REPs to ERCOT.

In the event of a default by a REP of its payment obligations to ERCOT, the portion of that obligation that is unrecoverable by ERCOT from the defaulting REP is assumed by the remaining market participants in proportion to each participant's load ratio. As a REP and market participant in ERCOT, we may have to pay a portion of the amount owed to ERCOT should such a default occur, and ERCOT is not successful in recovering such amounts. As a relatively small company, any such default of a REP in its obligations to ERCOT could have a material adverse effect on our business, results of operations, financial conditions and cash flows.

ERCOT has experienced problems with its information systems.

Problems in the flow of information between ERCOT, TDSPs and the REPs have resulted in delays and other problems in enrolling and billing customers. In some instances, the Company has been erroneously charged by TDSPs for delivered power, resulting in a negative effect on the Company's results of operations and financial condition. When customer enrollment transactions are not successfully processed by all involved parties, ownership records in the various systems supporting the market are not synchronized properly and subsequent transactions for billing and settlement are adversely affected. The impact may mean that we are not listed as the electric provider-of-record for intended or agreed upon time periods, delays in receiving customer consumption data that is necessary for billing and settlement either through ERCOT or directly with TDSPs, as well as the incorrect application of rates or prices and imbalances in our electricity supply forecast and actual sales.

Our future results of operations may be negatively impacted by settlement adjustments determined by ERCOT related to prior periods.

Settlement information for most operating activity is due from ERCOT within two months after the operating day, and true-up settlements are due from ERCOT within six months after the operating day. ERCOT has the ability to

resettle any operating day at any time after the six-month settlement period, usually the result of a lingering dispute, an alternative dispute resolution process, or litigated event. As a result, we are subject to settlement adjustments from ERCOT related to prior periods, which may result in charges or credits impacting our future reported results of operations.

Our results of operations and financial condition could be negatively impacted by any development or event beyond our control that causes economic weakness in the markets in which we operate.

Currently, we operate in Texas, New Hampshire, Massachusetts and Ohio. As a result, regardless of the state of the economy in areas outside the markets in which we operate, economic weakness in these markets could lead to reduced demand for electricity in these markets. Such a reduction could have a material negative impact on our results of operations, liquidity and financial condition.

Risks Related to the Company

We have a substantial amount of indebtedness, which may adversely affect our financial resources and our ability to operate our business.

Our consolidated indebtedness at September 30, 2024, was approximately \$19,894,444 (See Note 13) exclusive of indebtedness relating to our accrued wholesale power liability and accrued transportation and distribution charges in the amount of approximately \$54,011,796 as of September 30, 2024. This substantial level of indebtedness could have adverse consequences to our business, including (i) making it more difficult to satisfy our debt obligations as they become due; (ii) impairing our ability to obtain additional financing in the future; (iii) requiring a substantial portion of our cash flows from operations to be used for the payment of principal and interest on our indebtedness, thereby reducing the amount of cash available to fund working capital needs, capital expenditures, and other general corporate purposes; (iv) limiting our flexibility to plan for, or react to, changes in our business; and (v) increasing our vulnerability to adverse economic and industry conditions.

We rely on our operating cash flows to repay our outstanding borrowings, as well as to fund any working capital needs, capital expenditures, dividend payments, share repurchases, and other general corporate purposes. Prolonged periods of adverse economic conditions or business disruptions in any of our key regions, or a combination thereof, could impede our ability to pay our obligations as they become due or return value to our shareholders, as well as delay previously planned expenditures related to our operations. Credit rating agencies also periodically review our capital structure and our ability to generate earnings. A prolonged period of deteriorated financial performance or our inability to comply with debt covenants (as discussed below) could make future financing more difficult to secure and/or expensive. Further, factors beyond our control, such as adverse economic conditions, could disrupt capital markets and limit the availability or willingness of financial institutions to extend capital to us in the future.

Certain of our debt instruments contain several affirmative and negative covenants that, among other things, may limit our ability to obtain additional financing for working capital requirements, product development activities, debt service requirements, and general corporate or other purposes including maintaining a leverage ratio at or below a specified level. Our failure to comply with such covenants or otherwise secure temporary waivers of non-compliance, could result in the termination of the related facilities and/or our lenders demanding any amounts outstanding to be immediately repaid, which could have a material adverse effect on our business. Further, even if we are able to obtain waivers of non-compliance, such waivers may result in incremental fees, higher interest rates, and/or additional restrictions and covenants.

Additionally, the Federal Reserve has raised interest rates multiple times over the last 12 months in an effort to mitigate inflationary pressures and further increases may occur in the near future. Higher interest rates may increase the cost of any borrowings under our various credit and overdraft facilities, as well as negatively impact consumer sentiment and the global economy as a whole, which could result in a material adverse effect on our business.

There is substantial doubt about our ability to continue as a going concern.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. This assumes continuing operations and the realization of assets and liabilities in the normal course of business.

We have incurred significant losses since our inception and expect to continue to incur losses as a result of costs and expenses related to maintaining our properties and general and administrative expenses. As a result of our evaluation of the Company's liquidity for the next twelve months, we have included a discussion about our ability to continue as a going concern in our consolidated financial statements. Management plans to mitigate the Company's current conditions include working with Engie, negotiating with related parties and third parties to refinance existing debt and lease obligations, cost reduction efforts and sales of customer accounts. Notwithstanding management's plans, there can be no assurance that the Company will be successful in its efforts to address its current liquidity and capital resource constraints. These conditions raise substantial doubt about the Company's ability to continue as a going concern for the next twelve months from the issuance of the interim consolidated financial statements. Our capital needs have, in the past, been funded through sales of our debt and equity securities. In the event that we are unable to raise sufficient additional funds, we may be required to delay, reduce or severely curtail our operations or otherwise impede our on-going business efforts, or initiate steps to cease operations or liquidate our assets, which could have a material adverse effect on our business, operating results, financial condition, long-term prospects and ability to continue as a viable business.

Risks Related to Investing in and the Ownership of the Common Stock of the Company

An active, liquid and orderly trading market for our common stock may not develop, and the price of our stock may be volatile and may decline in value.

There currently is not an active public market for our common stock. An active trading market may not develop or, if developed, may not be sustained. The lack of an active market may impair the ability of stockholders to sell shares of common stock at the time they wish to sell them or at a price they consider reasonable. An inactive market may also impair our ability to raise capital by selling shares of common stock and may impair our ability to acquire other companies or assets by using shares of our common stock as consideration.

The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with securities traded in those markets. Broad market and industry factors may seriously affect the market price of companies' stock, including ours, regardless of actual operating performance.

Our common stock may not be eligible for listing on a national securities exchange.

Our common stock is not currently listed on a national securities exchange, and we do not currently meet the initial quantitative listing standards of a national securities exchange. We cannot assure you that we will be able to meet the initial listing standards of any national securities exchange, or, if we do meet such initial qualitative listing standards, that we will be able to maintain any such listing. Our common stock is currently listed on the OTC Market's OTCQB and, unless or until our common stock is listed on a national securities exchange, we anticipate that it will continue to be eligible and quoted on the OTC Market's OTCQB, another over-the-counter quotation system, or in the "pink sheets." In these venues, an investor may find it difficult to obtain accurate quotations as to the market value of our common stock. In addition, if we fail to meet the criteria set forth in SEC regulations, various requirements would be imposed by law on broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling our common stock, which may further affect its liquidity. This would also make it more difficult for us to raise additional capital in the future.

The Company's common stock may be considered "a penny stock" and may be difficult to sell.

The SEC has adopted regulations that generally define “penny stock” to be an equity security that has a market price of less than \$5.00 per share, or an exercise price of less than \$5.00 per share, subject to specific exemptions. The market price of our common stock is likely to be less than \$5.00 per share and, therefore, may be designated as a “penny stock” according to SEC rules. This designation requires any broker or dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell our common stock and may affect the ability of investors to sell their shares.

Trading of the Company’s common stock may be volatile and sporadic, which could depress the market price of our common stock and make it difficult for our stockholders to resell their shares.

There is currently a limited market for our common stock and the volume of our common stock traded on any day may vary significantly from one period to another. Our common stock is quoted on OTC Market’s OTCQB. Trading in stock quoted on OTC Market’s OTCQB is often thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with our operations or business prospects. The availability of buyers and sellers represented by this volatility could lead to a market price for our common stock that is unrelated to operating performance. Moreover, OTC Market’s OTCQB is not a stock exchange, and trading of securities quoted on OTC Market’s OTCQB is often more sporadic than the trading of securities listed on a stock exchange like Nasdaq or the New York Stock Exchange. There is no assurance that a sufficient market will develop in the stock, in which case it could be difficult for our stockholders to resell their stock.

Our stockholders may experience significant dilution if future equity offerings are used to fund operations or acquire complementary businesses.

If we engage in capital raising activities in the future, including issuances of common stock, to fund the growth of our business, our stockholders could experience significant dilution. In addition, securities issued in connection with future financing activities or potential acquisitions may have rights and preferences senior to the rights and preferences of our common stock. We have an equity incentive plan pursuant to which equity awards may be granted to eligible employees (including our executive officers), directors and consultants, if our board of directors determines that it is in the best interest of the Company and our stockholders to do so. The issuance of shares of our common stock upon the exercise of any such equity awards may result in dilution to our stockholders and adversely affect our earnings.

If securities or industry analysts do not publish, or cease publishing, research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by whether industry or securities analysts publish research and reports about us, our business, our market or our competitors and, if any analysts do publish such reports, what they publish in those reports. We may not obtain analyst coverage in the future. Any analysts that do cover us may make adverse recommendations regarding our stock, adversely change their recommendations from time to time, and/or provide more favorable relative recommendations about our competitors. If any analyst who may cover us in the future were to cease coverage of our company or fail to regularly publish reports on us, or if analysts fail to cover us or publish reports about us at all, we could lose, or never gain, visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We do not anticipate paying any dividends in the foreseeable future.

We currently intend to retain our future earnings to support operations and to finance expansion and, therefore, we do not anticipate paying any cash dividends to holders of our common stock in the foreseeable future.

Item 5. Legal Proceedings

From time to time, we may become subject to other legal proceedings, claims and litigation arising in the ordinary course of business. Litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular lawsuit or

proceeding could have a material adverse effect on our results of operations, financial position or cash flows. Other than as set forth below, the Company is not a party to any material legal proceedings nor is the Company aware of any pending or threatened litigation that, in its opinion, would have a material adverse effect on its business or its financial position, results of operations or cash flows should such litigation be resolved unfavorably.

On May 26, 2021, the Company filed a lawsuit against Hartman Income REIT Management, Inc. (“Hartman”) in state court in Harris County, Texas. In this lawsuit, the Company sought to collect approximately \$8,400,000 owed by Hartman under one or more electricity sales agreements at indexed prices related to Winter Storm Uri. On March 24, 2022, the court entered a judgement in favor of the Company against Hartman in the amount of \$7,871,000 plus customary pre- and post-judgement interest and attorney’s fees. On April 25, 2022, Hartman filed a surety bond totaling \$2,197,000 to suspend enforcement of the judgement and appealed the judgement. On March 7, 2024, the Court of Appeals denied Hartman’s motion for rehearing. On April 2, 2024, the Defendant filed a motion for extension of time to file its petition for review in the Texas Supreme Court. On March 7, 2024, the Court of Appeals denied Hartman’s motion for rehearing. On May 3, 2024, the Company and Hartman entered into a settlement agreement whereby Hartman shall pay the Company an agreement of \$8,650,000, and on May 9, 2024, the Company received full payment from Hartman of the settlement amount. On May 10, 2024, in consideration of the Hartman settlement, Company dismissed with prejudice its claims against Hartman (*See Note 26*). On May 16, 2024, the Company entered into a Satisfaction of Judgment releasing Hartman from all claims in the filed lawsuit. Pursuant to the EDF Transition Agreement, the Company will pay or cause to be paid to EDF an amount of \$2 million dollars from the damages received from Hartman Recovery (*See Note 9*).

Under the Digital Lending Documents, the Company was required to pay \$2,000,000 by September 11, 2023, and \$5,000,000 by November 11, 2023. The Company did not make either payment, resulting in an event of default under the Digital Lending Documents. The Company had five business days to cure the default, which the Company did not cure.

On April 19, 2024, Digital Lending provided notice that the Company was in material default under the Digital Lending Documents. Digital Lending demanded immediate payment of all overdue amounts. On June 4, 2024, Digital Lending filed a civil action against the Company.

The lawsuit is styled Cause No. 1:24-cv-04219-VSB; *Digital Lending Services US Corp. v. Summer Energy, LLC, and Summer Energy Holdings, Inc.*; pending in the United States District Court for the Southern District of New York. Digital Lending, as the plaintiff, asserted claims for breach of contract against the Summer LLC as the borrower and the Company as guarantor of payments due under the Digital Lending Documents, and foreclosure of Digital Lending’s security interest in the collateral pursuant to the security agreement between Borrower and Digital Lending. Digital Lending seeks to recover damages in the amount of \$6,025,658.38, representing the outstanding loan balance when the lawsuit was filed, plus pre- and post-judgment interest, costs, expenses, and attorneys’ fees.

Digital Lending and the Company have exchanged documents, submitted written discovery requests and responses, and conducted multiple depositions in advance of the January 15, 2025, deadline to complete discovery. The parties are scheduled to attend a post-discovery conference with Judge Vernon S. Broderick on January 24, 2025. The case is not currently scheduled for trial.

On December 20, 2024, Engie provided notice to the Company that Engie expressly reserves all rights, powers, privileges and remedies under the Engie Facility Agreement and ISDA Agreement due to the ongoing Events of Default by the Company.

Item 6. Defaults Upon Senior Securities

On September 11, 2023, the Company did not make the required payment of \$2,000,000 which is an event of default under the Digital Lending Documents. On November 11, 2023, the Company did not make the required payment of \$5,000,000 which is an event of default under the Digital Lending Documents. The Company had five business days to cure the default options which the Company did not cure. Under the Digital Lending Documents, an event of default triggers an increase of the interest rate of the Revolving Note to the lower of twenty percent (20%) per annum and the maximum rate permitted by law. In addition, Digital Lending at its option and without notice may, subject to an intercreditor agreement with Engie: (a) accelerate amounts outstanding on the Revolving Note and demand

immediate payment in full without presentment or other demand, protest, notice of dishonor or any other notice of any kind, all of which are expressly waived; (b) foreclose its lien on the collateral pursuant to the security agreement executed by Borrower, as applicable, or take such other actions available under the terms of the Digital Lending Documents; and (c) take such other actions as may otherwise be available in equity or at law (*See Note 7*).

Under the terms of Engie Facility Agreement and related documents, the default by the Company under the Digital Lending Documents (*See Note 8*) is also an event of default with Engie. At any time during the existence of an event of default under the Engie Documents, Engie may, by notice to the Company, terminate the Engie Documents and all obligations of Engie to provide or cause the provision of any credit extension under the Engie Documents and related Credit Facility and the required payment of an early termination fee of \$3,000,000. An event of default under the Facility Agreement also triggers an increase in the interest rate under the Credit Facility by 1200 basis points, and acceleration of all amounts due to Engie (*See Note 11*).

On April 19, 2024, Digital Lending sent a demand indicating that the Company was in material default under the loan and for the Company to make immediate payment of all sums due under the loan. On June 4, 2024, Digital Lending filed a civil action against the Company.

Item 7. Other Information

None.

Item 8. Exhibits

None.

Item 9. Certifications

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Neil M. Leibman, certify that:

1. I have reviewed this quarterly disclosure statement of Summer Energy Holdings, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: December 27, 2024

BY: /S/ Neil M. Leibman
Neil M. Leibman
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jaleea P. George, certify that:

1. I have reviewed this quarterly disclosure statement of Summer Energy Holdings, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: December 27, 2024

BY: /S/ Jaleea P. George
Jaleea P. George
Chief Financial Officer