

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-40623

**TWIN VEE POWERCATS CO.**

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

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**3101 S. US-1  
Ft. Pierce, Florida**  
*(Address of principal executive offices)*

**27-1417610**  
*(I.R.S. Employer  
Identification No.)*

**34982**  
*(Zip Code)*

**(772) 429-2525**

*(Registrant's telephone number, including area code)*

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	VEEE	The Nasdaq Stock Market, LLC (The Nasdaq Capital Market)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of November 14, 2023, there were 9,520,000 shares of Common Stock, \$0.001 par value per share, outstanding.

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TWIN VEE POWERCATS CO.

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## **FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on assumptions that we have made in light of our industry experience and our perceptions of historical trends, current conditions, expected future developments, and other factors we believe are appropriate under the circumstances. As you read and consider this Quarterly Report on Form 10-Q, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (many of which are beyond our control), and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual operating and financial performance and cause our performance to differ materially from the performance anticipated in the forward-looking statements. We believe these factors include, but are not limited to, those described under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove incorrect, our actual operating and financial performance may vary in material respects from the performance projected in these forward-looking statements. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements.

As a result of these and other factors, we may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## **NOTE REGARDING COMPANY REFERENCES**

Throughout this Quarterly Report on Form 10-Q, “Twin Vee,” “the Company,” “we” and “our” refer to Twin Vee PowerCats Co.

PART I—FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TWIN VEE POWERCATS CO.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	September 30, 2023	December 31, 2022
	Unaudited	
<b>ASSETS</b>		
Current Assets:		
Cash, Cash Equivalents, and Restricted Cash	\$ 12,401,551	\$ 23,501,007
Marketable Securities - Available for Sale	11,128,401	1,481,606
Accounts Receivable	508,506	14,167
Inventory	8,134,838	4,008,332
Prepaid Assets	550,275	882,417
<b>Total Current Assets</b>	<b>32,723,571</b>	<b>29,887,529</b>
Long-Term Assets:		
Property and Equipment, Net	10,053,347	5,535,902
Security Deposits	49,167	32,517
Marketable Securities, Non-Current	476,597	1,445,912
ROU Lease Asset	974,101	1,329,620
<b>Total Long-Term Assets</b>	<b>11,553,212</b>	<b>8,343,951</b>
<b>Total Assets</b>	<b>\$ 44,276,783</b>	<b>\$ 38,231,480</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts Payable	\$ 3,633,807	\$ 2,065,680
Accrued Expenses	965,514	1,240,769
Contract Liabilities	14,259	5,300
ROU Lease Liability - S/T Portion	499,957	479,314
Financed Lease Liability - S/T Portion	213,118	—
<b>Total Current Liabilities</b>	<b>5,326,655</b>	<b>3,791,063</b>
Long-Term Liabilities:		
Economic Injury Disaster Loan	499,900	499,900
ROU Lease Liability	540,460	919,628
Financed Lease Liability	2,698,659	—
<b>Total Long-Term Liabilities</b>	<b>3,739,019</b>	<b>1,419,528</b>
<b>Total Liabilities</b>	<b>9,065,674</b>	<b>5,210,591</b>
Commitments and Contingencies (Note 11)		
<b>Stockholders' Equity</b>		
Preferred Stock: 10,000,000 authorized; \$0.001 par value; no shares issued and outstanding	—	—
Common Stock: 50,000,000 authorized; \$0.001 par value; 9,520,000 shares issued and outstanding	9,520	9,520
Additional Paid in Capital	37,382,793	35,581,022
Accumulated Deficit	(11,517,958)	(7,154,808)
<b>Equity Attributable to Stockholders of Twin Vee Powercats Co.</b>	<b>25,874,355</b>	<b>28,435,734</b>
Equity Attributable to Non-controlling Interests	9,336,754	4,585,155
<b>Total Stockholders' Equity</b>	<b>35,211,109</b>	<b>33,020,889</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$ 44,276,783</b>	<b>\$ 38,231,480</b>

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

**TWIN VEE POWERCATS CO.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net Sales	\$ 8,076,545	\$ 8,812,021	\$ 24,980,902	\$ 23,217,634
Cost of Sales	5,541,314	5,477,947	17,061,354	14,001,994
Gross Profit	2,535,231	3,334,074	7,919,548	9,215,640
<b>Operating Expenses:</b>				
Selling, General, & Administrative	984,881	707,322	2,921,516	2,027,387
Salaries & Wages	3,661,654	2,891,863	10,438,595	7,938,954
Professional Fees	262,426	135,311	977,448	573,592
Research & Development	63,867	283,936	930,497	680,288
Depreciation & Amortization	341,826	172,602	844,665	372,511
Total Operating Expenses	5,314,654	4,191,034	16,112,721	11,592,732
<b>Operating Loss</b>	<b>(2,779,423)</b>	<b>(856,960)</b>	<b>(8,193,173)</b>	<b>(2,377,092)</b>
<b>Other Income (Expense):</b>				
Interest Income	32,648	30,958	63,078	63,883
Dividend Income	242,718	29,764	730,117	32,994
Employee Retention Credit Income	—	—	1,267,055	—
Other (Expense) Income	(6,206)	—	897	—
Unrealized Gain (Loss)	42,507	(37,993)	45,585	(150,569)
Realized Gain	23,747	—	23,747	—
Interest Expense	—	(52,878)	(113,523)	(136,434)
Loss on Disposal of Asset	—	—	—	(49,990)
Total Other Income (Expense)	335,414	(30,149)	2,016,956	(240,116)
<b>Net Loss</b>	<b>\$ (2,444,009)</b>	<b>\$ (887,109)</b>	<b>\$ (6,176,217)</b>	<b>\$ (2,617,208)</b>
Less: Net Loss Attributable to Non- Controlling Interests	(582,274)	(187,080)	(1,813,067)	(187,080)
<b>Net Loss Attributed to Stockholders of Twin Vee PowerCats Co.</b>	<b>(1,861,735)</b>	<b>(700,029)</b>	<b>(4,363,150)</b>	<b>(2,430,128)</b>
<b>Loss Per Share:</b>				
Basic	\$ (0.20)	\$ (0.10)	\$ (0.46)	\$ (0.35)
<b>Weighted Average Shares Outstanding:</b>				
Basic	9,520,000	7,013,478	9,520,000	7,004,542

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

**TWIN VEE POWERCATS CO.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

For the three and nine months ended September 30, 2022

	Preferred Stock		Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>Balance, December 31, 2021</b>	—	\$ —	7,000,000	\$ 7,000	\$ 18,710,256	\$ (2,017,556)	\$ —	16,699,700
Stock-Based Compensation	—	—	—	—	224,832	—	—	224,832
Net Loss	—	—	—	—	—	(1,191,317)	—	(1,191,317)
<b>Balance, March 31, 2022</b>	—	—	7,000,000	7,000	18,935,088	(3,208,873)	—	15,733,215
Stock-Based Compensation	—	—	—	—	301,891	—	—	301,891
Net Loss	—	—	—	—	—	(538,782)	—	(538,782)
<b>Balance June 30, 2022</b>	—	—	7,000,000	7,000	19,236,979	(3,747,655)	—	15,496,324
Common Stock Issued for Payment on Behalf of Parent	—	—	20,000	20	52,380	—	—	52,400
Forza Share Issuance	—	—	—	—	9,588,172	—	5,241,317	14,829,489
Stock-Based Compensation	—	—	—	—	287,607	—	—	287,607
Net Loss	—	—	—	—	—	(700,029)	(187,080)	(887,109)
<b>Balance September 30, 2022</b>	—	\$ —	7,020,000	\$ 7,020	\$ 29,165,138	\$ (4,447,684)	\$ 5,054,237	29,778,711

For the three and nine months ended September 30, 2023

	Preferred Stock		Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>Balance, December 31, 2022</b>	—	\$ —	9,520,000	\$ 9,520	\$ 35,581,022	\$ (7,154,808)	\$ 4,585,155	33,020,889
Stock-Based Compensation	—	—	—	—	482,964	—	—	482,964
Net Loss	—	—	—	—	—	(1,166,772)	(661,693)	(1,828,465)
<b>Balance, March 31, 2023</b>	—	—	9,520,000	9,520	36,063,986	(8,321,580)	3,923,462	31,675,388
Forza Share Issuance	—	—	—	—	364,886	—	6,564,666	6,929,552
Stock-Based Compensation	—	—	—	—	489,361	—	—	489,361
Net Loss	—	—	—	—	—	(1,334,643)	(569,100)	(1,903,743)
<b>Balance, June 30, 2023</b>	—	—	9,520,000	9,520	36,918,233	(9,656,223)	9,919,028	37,190,558
Stock-Based Compensation	—	—	—	—	464,560	—	—	464,560
Net Loss	—	—	—	—	—	(1,861,735)	(582,274)	(2,444,009)
<b>Balance September 30, 2023</b>	—	—	9,520,000	9,520	37,382,793	(11,517,958)	9,336,754	35,211,109

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

**TWIN VEE POWERCATS CO.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash Flows From: OPERATING ACTIVITIES</b>		
Net Loss	\$ (6,176,217)	\$ (2,617,208)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation & Amortization	844,665	372,511
Change in ROU Lease Asset	355,519	286,271
Change in Fair Value of Marketable Securities, Available for Sale	(45,585)	150,569
Non-Cash Charge for Stock Based Compensation	1,436,885	814,330
Loss on Disposal of Assets	—	49,990
Change in Operating Assets & Liabilities:		
Accounts Receivable	(494,339)	3,527
Inventory	(4,126,506)	(2,593,469)
Prepaid Assets	332,142	(596,397)
Accounts Payable	1,568,127	726,795
Accrued Expenses	(275,255)	81,498
Contract Liabilities	8,959	1,012,480
ROU Lease Liability	(358,525)	(275,278)
<b>Net Cash Used In Operating Activities</b>	<b>(6,930,130)</b>	<b>(2,584,381)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of Property & Equipment	(2,413,119)	(2,394,169)
Security Deposits	(16,650)	—
Net (Purchases) Sales of Marketable Securities, Available for Sale	(8,608,148)	3,002,592
Realized Gains on Marketable Securities, Available for Sale	(23,747)	—
Proceeds from Sale of PP&E	—	80,000
<b>Net Cash (Used In) Provided by Investing Activities</b>	<b>(11,061,664)</b>	<b>688,423</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from Sale of Common Stock	6,996,015	15,231,350
Deferred Offering Costs	(66,463)	(306,361)
Finance Lease Liabilities	(37,214)	—
Advances to Parent	0	(28,771)
<b>Net Cash Provided by Financing Activities</b>	<b>6,892,338</b>	<b>14,896,218</b>
<b>Net Cash Flow for Period</b>	<b>\$ (11,099,456)</b>	<b>\$ 13,000,260</b>
Cash, Cash Equivalents, & Restricted Cash - Beginning of Period	23,501,007	6,975,302
<b>Cash, Cash Equivalents, &amp; Restricted Cash - End of Period</b>	<b>\$ 12,401,551</b>	<b>\$ 19,975,562</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Cash Paid During the Period for:		
Income Taxes	\$ —	\$ —
Interest	\$ 113,523	\$ 121,284
<b>Non Cash Investing and Financing Activities</b>		
Finance Leases	\$ 2,948,991	\$ —
Common Stock Issued for Payment on Behalf of Parent	\$ —	\$ 52,400

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



**TWIN VEE POWERCATS CO.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**1. Organization and Summary of Significant Accounting Policies**

***Organization***

Twin Vee PowerCats Co. (“Twin Vee” or the “Company”) was incorporated as Twin Vee Catamarans, Inc., in the state of Florida, on December 1, 2009. On April 7, 2021, the Company filed a Certificate of Conversion to register and incorporate in the state of Delaware and changed the company name to Twin Vee PowerCats Co. The Certificate of Incorporation for Twin Vee PowerCats Co. was also filed on April 7, 2021.

On September 1, 2021, the Company formed Fix My Boat, Inc., (“Fix My Boat”), a wholly owned subsidiary. Fix My Boat will utilize a franchise model for marine mechanics across the country. Fix My Boat has been inactive for the majority of 2022 and the nine months ended September 30, 2023, however the Company anticipates focusing resources on this entity by the end of 2024.

Forza X1, Inc. was initially incorporated as Electra Power Sports, Inc. on October 15, 2021, and subsequently changed the name to Forza X1, Inc. (“Forza X1” or “Forza”) on October 29, 2021. Prior to Forza’s incorporation on October 15, 2021, the electric boat business was operated as the Company’s Electra Power Sports™ Division. Following the Company’s initial public offering that closed on July 23, 2021 (the “IPO”), it determined in October 2021 that for several reasons, that it would market the Company’s new independent line of electric boats under a new brand name (and new subsidiary).

On April 20, 2023, the Company formed AquaSport Co., a wholly owned subsidiary in the state of Florida in connection with the Company’s plan to lease the assets of former AQUASPORT™ boat brand and manufacturing facility in White Bluff Tennessee.

***Merger***

On December 5, 2022, pursuant to the terms of the Agreement and Plan of Merger, dated as of September 8, 2022 (the “Merger Agreement”), by and between Twin Vee PowerCats Co. and Twin Vee PowerCats, Inc., a Florida corporation (“TVPC”), TVPC was merged with and into the Company (the “Merger”).

As TVPC did not meet the definition of a business under ASC 805, the merger was not accounted for as a business combination. The Merger was accounted for as a recapitalization of Twin Vee PowerCats, Co., effected through the exchange of TVPC shares for Twin Vee PowerCats, Co. shares, and the cancellation of Twin Vee PowerCats, Co. shares held by Twin Vee Inc. Upon the effective date of the Merger, December 5, 2022, Twin Vee Co. accounted for the Merger by assuming TVPC’s net liabilities. Twin Vee PowerCats, Co.’s financial statements reflect the operations of TVPC. prospectively and will not be restated retroactively to reflect the historical financial position or results of operations of TVPC.

***Principles of Consolidation***

The condensed consolidated financial statements include the accounts of Twin Vee, its wholly owned subsidiaries AquaSport Co., and Fix My Boat, Inc., (“Fix My Boat”), and its publicly owned subsidiary, Forza X1, Inc. (“Forza X1” “Forza”), collectively referred to as the “Company”. The Company’s net loss excludes losses attributable to noncontrolling interests. The Company reports noncontrolling interests in consolidated entities as a component of equity separate from the Company’s equity. All inter-company balances and transactions are eliminated in consolidation.

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial statements and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X of the United States Securities and Exchange Commission (“SEC”). Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements.

In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of September 30, 2023 and the results of operations and cash flows for the periods presented. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the operating results for the full fiscal year or any future period. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and related notes thereto for the year ended December 31, 2022, which are included in the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2023.

#### ***Revenue Recognition***

The Company's revenue is derived primarily from the sale of boats, motors and trailers to its independent dealers. The Company recognizes revenue when obligations under the terms of a contract are satisfied and control over promised goods is transferred to the dealer. For the majority of sales, this occurs when the product is released to the carrier responsible for transporting it to a dealer. The Company typically receives payment within five business days of shipment. Revenue is measured as the amount of consideration it expects to receive in exchange for a product. The Company offers dealer incentives that include wholesale rebates, retail rebates and promotions, floor plan reimbursement or cash discounts, and other allowances that are recorded as reductions of revenues in net sales in the statements of operations. The consideration recognized represents the amount specified in a contract with a customer, net of estimated incentives the Company reasonably expects to pay. The estimated liability and reduction in revenue for dealer incentives is recorded at the time of sale. Subsequent adjustments to incentive estimates are possible because actual results may differ from these estimates if conditions dictate the need to enhance or reduce sales promotion and incentive programs or if dealer achievement or other items vary from historical trends. Accrued dealer incentives are included in accrued liabilities in the accompanying consolidated balance sheets.

Payment received for the future sale of a boat to a customer is recognized as a customer deposit. Customer deposits are recognized as revenue when control over promised goods is transferred to the customer. At September 30, 2023 and December 31, 2022, the Company had customer deposits of \$ 14,259 and \$5,300, respectively, which is recorded as contract liabilities on the consolidated balance sheets. These deposits are expected to be recognized as revenue within a one-year period.

#### ***Rebates and Discounts***

Dealers earn wholesale rebates based on purchase volume commitments and achievement of certain performance metrics. The Company estimates the amount of wholesale rebates based on historical achievement, forecasted volume, and assumptions regarding dealer behavior. Rebates that apply to boats already in dealer inventory are referred to as retail rebates. The Company estimates the amount of retail rebates based on historical data for specific boat models adjusted for forecasted sales volume, product mix, dealer and consumer behavior, and assumptions concerning market conditions. The Company also utilizes various programs whereby it offers cash discounts or agrees to reimburse its dealers for certain floor plan interest costs incurred by dealers for limited periods of time, generally ranging up to nine months.

#### ***Other Revenue Recognition Matters***

Dealers generally have no right to return unsold boats. Occasionally, the Company may accept returns in limited circumstances and at the Company's discretion under its warranty policy. The Company may be obligated, in the event of default by a dealer, to accept returns of unsold boats under its repurchase commitment to floor financing providers, who are able to obtain such boats through foreclosure. The repurchase commitment is on an individual unit basis with a term from the date it is financed by the lending institution through the payment date by the dealer, generally not exceeding 30 months.

The Company has excluded sales and other taxes assessed by a governmental authority in connection with revenue-producing activities from the determination of the transaction price for all contracts. The Company has not adjusted net sales for the effects of a significant financing component because the period between the transfer of the promised goods and the customer's payment is expected to be one year or less.

### ***Use of Estimates***

The preparation of condensed consolidated 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 and the reported amounts of expenses during the reporting period. Some of these judgments can be subjective and complex, and, consequently, actual results may differ from these estimates.

### ***Concentrations of Credit and Business Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk primarily consist of trade receivables. Credit risk on trade receivables is mitigated as a result of the Company's use of trade letters of credit, dealer floor plan financing arrangements, and the geographically diversified nature of the Company's customer base. The Company minimizes the concentration of credit risk associated with its cash by maintaining its cash with high quality federally insured financial institutions. However, cash balances in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limit of \$250,000 are at risk. As of September 30, 2023 and December 31, 2022, the Company had \$11,081,008 and \$22,666,301, respectively, in excess of FDIC insured limits.

### ***Cash, Cash Equivalents and Restricted Cash***

Cash, cash equivalents and restricted cash include all highly liquid investments with original maturities of six months or less at the time of purchase. On September 30, 2023 and December 31, 2022, the Company had cash, cash equivalents and restricted cash of \$12,401,551 and \$23,501,007, respectively. Included within restricted cash on the Company's condensed consolidated balance sheets is an irrevocable letter of credit for \$254,932, which is being held by a third party bank as collateral.

### ***Marketable Securities***

The Company's investments in debt securities are carried at either amortized cost or fair value. Investments in debt securities that the Company has the positive intent and ability to hold to maturity are carried at amortized cost and classified as held-to-maturity. Investments in debt securities that are not classified as held-to-maturity are carried at fair value and classified as either trading or available-for-sale. Realized and unrealized gains and losses on trading debt securities as well as realized gains and losses on available-for-sale debt securities are included in net income.

### ***Fair Value of Financial Instruments***

The Company follows accounting guidelines on fair value measurements for financial instruments measured on a recurring basis, as well as for certain assets and liabilities that are initially recorded at their estimated fair values. Fair Value is defined as the exit price, or the amount that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants as the measurement date. The Company uses the following three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs to value its financial instruments:

- Level 1: Observable inputs such as unadjusted quoted prices in active markets for identical instruments.
- Level 2: Quoted prices for similar instruments that are directly or indirectly observable in the marketplace.
- Level 3: Significant unobservable inputs which are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires a significant judgment or estimation.

Financial instruments measured as fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires it to make judgments and consider factors specific to the asset or liability. The use of different assumptions and/or estimation methodologies may have a material effect on estimated fair values. Accordingly, the fair value estimates disclosed, or initial amounts recorded may not be indicative of the amount that the Company or holders of the instruments could realize in a current market exchange.

The carrying amounts of cash equivalents approximate their fair value due to their liquid or short-term nature, such as accounts receivable and payable, and other financial instruments in current assets or current liabilities.

#### ***Inventories***

Inventories are valued at the lower of cost and net realizable value, with cost determined using the average cost method. Net realizable value is defined as sales price less cost of completion, disposable and transportation and a normal profit margin. Production costs, consisting of labor and overhead, are applied to ending finished goods inventories at a rate based on estimated production capacity. Excess production costs are charged to cost of products sold. Provisions have been made to reduce excess or obsolete inventories to their net realizable value.

#### ***Property and Equipment***

Property and equipment is stated at cost, net of accumulated depreciation and amortization, using the straight-line method over the assets' useful life. Leasehold improvements are amortized over the shorter of the assets' useful life or the lease term. The estimated useful lives of property and equipment range from three to five years. Upon sale or retirement, the cost and related accumulated depreciation is eliminated from their respective accounts, and the resulting gain or loss is included in results of operations. Repairs and maintenance charges, which do not increase the useful lives of the assets, are charged to operations as incurred.

#### ***Impairment of Long-Lived Assets***

Management assesses the recoverability of its long-lived assets when indicators of impairment are present. If such indicators are present, recoverability of these assets is determined by comparing the undiscounted net cash flows estimated to result from those assets over the remaining life to the assets' net carrying amounts. If the estimated undiscounted net cash flows are less than the net carrying amount, the assets would be adjusted to their fair value, based on appraisal or the present value of the undiscounted net cash flows.

#### ***Advertising***

Advertising and marketing costs are expensed as incurred, and are included in selling, general and administrative expenses in the accompanying consolidated statements of operations. During the three months ended September 30, 2023 and 2022, advertising costs incurred by the Company totaled \$129,592 and \$47,964, respectively. During the nine months ended September 30, 2023 and 2022, advertising costs incurred by the Company totaled \$374,059 and \$94,693, respectively.

#### ***Research and Development***

The Company expenses research and development costs relating to new product development as incurred. For the three months ended September 30, 2023 and 2022, research and development costs amounted to \$63,867 and \$283,936, respectively. For the nine months ended September 30, 2023 and 2022, research and development costs amounted to \$930,497 and \$680,288, respectively.

#### ***Shipping and Handling Costs***

Shipping and handling costs include those costs incurred to transport product to customers and internal handling costs, which relate to activities to prepare goods for shipment. The Company has elected to account for shipping and handling costs associated with outbound freight after control over a product has been transferred to a customer as a fulfillment cost. The Company includes shipping and handling costs, including cost billed to customers, in cost of sales in the statements of operations. All manufactured boats are free on board (FOB) from the Fort Pierce manufacturing plant. Dealers are required to either pick up the boats themselves or contract with a transporter. For the three months ended September 30, 2023, and 2022, shipping and handling costs amounted to \$144,388 and \$72,085, respectively. For the nine months ended September 30, 2023, and 2022, shipping and handling costs amounted to \$540,155 and \$131,903, respectively. These costs have increased by \$408,252, due to adding dealers in the New England states and Michigan, compared to the prior year, when all of the boats were shipped to the states in the southeast portion of the United States.

### ***Leases***

The Company determines if an arrangement is a lease at inception. Operating lease right-of-use (“ROU”) assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Company’s leases do not provide an implicit rate, it uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Company calculates the associated lease liability and corresponding ROU asset upon lease commencement using a discount rate based on a credit-adjusted secured borrowing rate commensurate with the term of the lease. The operating lease ROU asset also includes any lease payments made and is reduced by lease incentives. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expenses for lease payments is recognized on a straight-line basis over the lease term.

### ***Supplier Concentrations***

The Company is dependent on the ability of its suppliers to provide products on a timely basis and on favorable pricing terms. The loss of certain principal suppliers or a significant reduction in product availability from principal suppliers could have a material adverse effect on the Company. Business risk insurance is in place to mitigate the business risk associated with sole suppliers for sudden disruptions such as those caused by natural disasters.

The Company is dependent on third-party equipment manufacturers, distributors, and dealers for certain parts and materials utilized in the manufacturing process. During the three months ended September 30, 2023, the Company purchased all engines for its boats under supplier agreements with three vendors. During the three months ended September 30, 2022, the Company purchased all engines for its boats under supplier agreements with two vendors. For the three months ended September 30, 2023 and 2022, total purchases from these vendors were \$2,092,032 and \$1,323,223, respectively. During the nine months ended September 30, 2023, the Company purchased all engines for its boats under supplier agreements with three vendors. During the nine months ended September 30, 2022, the Company purchased all engines for its boats under supplier agreements with one vendor. For the nine months ended September 30, 2023 and 2022, total purchases from these vendors were \$5,654,582 and \$4,025,956, respectively.

### ***Employee Retention Credit***

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law providing numerous tax provisions and other stimulus measures, including an employee retention credit (“ERC”), which is a refundable tax credit against certain employment taxes. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021 extended and expanded the availability of the ERC.

Pursuant to the employee retention credit, eligible employers could receive a 50% - 70% credit on qualified wages against their employment taxes each quarter during the eligible period in 2020 and 2021, respectively, with any excess credits eligible for refunds. During the nine months ended September 30, 2023, the Company recognized income related to the employee retention credit of \$1,267,055 upon completion of an analysis providing reasonable assurance that the Company met the conditions set forth in the CARES Act. The employee retention credit was recorded in the condensed consolidated statement of operations for the nine months ended September 30, 2023.

### ***Stock-Based Compensation***

The Company recognizes stock-based compensation costs for its restricted stock measured at the fair value of each award at the time of grant, as an expense over the period during which an employee is required to provide service. Compensation cost is recognized over the service period for the fair value of awards that vest.

### ***Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recover or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is entirely dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

The Company files income tax returns in the U.S. federal jurisdiction and various states.

### Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, “*Financial Instruments Credit Losses — Measurement of Credit Losses on Financial Instruments*.” ASU 2016-13 introduces the Current Expected Credit Losses Methodology (CECL) for estimating allowances and credit losses, and requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, which includes the Company’s accounts receivable and investments in marketable securities. This ASU was adopted by the Company for reporting periods beginning after December 15, 2022.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its financial statements.

#### 1. Marketable securities

Assets and liabilities measured at fair value on a recurring basis based on Level 1 and Level 2 fair value measurement criteria as of September 30, 2023 and December 31, 2022 are as follows:

	Balance as of September 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Nonobservable Inputs (Level 3)
<b>Marketable securities:</b>				
Corporate Bonds	\$ 11,352,723	\$ —	\$ 11,352,723	\$ —
Certificates of Deposits	252,275	—	252,275	—
Total marketable securities	<u>\$ 11,604,998</u>	<u>\$ —</u>	<u>\$ 11,604,998</u>	<u>\$ —</u>

	Balance as of December 31, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Non-observable Inputs (Level 3)
<b>Marketable securities:</b>				
Corporate Bonds	\$ 2,436,333	\$ —	\$ 2,436,333	\$ —
Certificates of Deposits	491,185	—	491,185	—
Total marketable securities	<u>\$ 2,927,518</u>	<u>\$ —</u>	<u>\$ 2,927,518</u>	<u>\$ —</u>

The Company’s investments in corporate bonds, commercial paper and certificates of deposits are measured based on quotes from market makers for similar items in active markets.

## 2. Accounts Receivable

The Company's Accounts Receivable derive from third party financing arrangements that our dealers utilize to finance the purchase of our boats. This "floorplan financing" is collateralized by the finished boat, and cash payment is received within 3-5 days of the finance company's approval of the dealer's purchase. At the end of a reporting period, some payment(s) may not yet have been received from the financing company, which creates a temporary account receivable that will be satisfied in just a few days. As such, the Company's Accounts Receivable at any point in time are 100% collectable, and no valuation adjustment is necessary. Therefore, there is no Allowance for Doubtful Accounts on the Company's balance sheet.

## 3. Inventories

At September 30, 2023 and December 31, 2022 inventories consisted of the following:

	September 30, 2023	December 31, 2022
Raw Materials	\$ 6,626,251	\$ 3,406,371
Inventory in transit	727,777	222,607
Work in Process	630,966	246,734
Finished Product	149,844	132,620
Total Inventory	<u>\$ 8,134,838</u>	<u>\$ 4,008,332</u>

## 4. Property and Equipment

At September 30, 2023 and December 31, 2022, property and equipment consisted of the following:

	September 30, 2023	December 31, 2022
Machinery and equipment	\$ 3,306,038	\$ 1,977,482
Furniture and fixtures	23,826	20,335
Land	1,119,758	—
Leasehold improvements	1,122,553	950,132
Software and website development	221,436	148,693
Computer hardware and software	155,566	123,088
Boat molds	3,707,930	2,277,664
Vehicles	143,360	94,534
Electric prototypes and tooling	142,526	142,526
Assets under construction	2,013,411	859,839
	<u>11,956,404</u>	<u>6,594,293</u>
Less accumulated depreciation and amortization	<u>(1,903,057)</u>	<u>(1,058,391)</u>
	<u>\$ 10,053,347</u>	<u>\$ 5,535,902</u>

Depreciation and amortization expense of property and equipment for the three months ended September 30, 2023 and 2022 are \$341,826 and \$172,602, respectively. Depreciation and amortization expense of property and equipment for the nine months ended September 30, 2023 and 2022 are \$844,665 and \$372,511, respectively.

## 5. Leases – Related Party

Operating right of use ("ROU") assets and operating lease liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating right of use assets represent the Company's right to use an underlying asset and is based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, the Company estimates incremental secured borrowing rates corresponding to the maturities of the leases. The Company used the U.S. Treasury rate of 0.36% at September 30, 2023 and December 31, 2022.

The Company's office lease contains rent escalations over the lease term. The Company recognizes expense for this office lease on a straight-line basis over the lease term. Additionally, tenant incentives used to fund leasehold improvements are recognized when earned and reduce the Company's right-of-use asset related to the lease. These are amortized through the right-of-use asset as reductions of expense over the lease term.

The Company leases its office and warehouse facilities, and the land which are located at 3101 S US-1, Fort Pierce, Florida (the “Property”) from Visconti Holdings, LLC. Visconti Holdings, LLC is a single member LLC that holds the ownership of the property, and its sole member is Joseph C. Visconti, the CEO of the Company. The Company entered into the lease on January 1, 2020, and as amended January 1, 2021, the lease has a term of five years. The current base rent payment is \$30,000 per month including property taxes and the lease required a \$25,000 security deposit. The base rent will increase five percent (5%) on the anniversary of each annual term.

At September 30, 2023 and December 31, 2022, supplemental balance sheet information related to the lease was as follows:

	September 30, 2023	December 31, 2022
Operating lease ROU asset	\$ 876,901	\$ 1,167,551
	September 30, 2023	December 31, 2022
Operating lease liabilities:		
Current portion	\$ 409,033	\$ 393,069
Non-current portion	540,460	851,096
Total	<u>\$ 949,493</u>	<u>\$ 1,244,165</u>

At September 30, 2023, future minimum lease payments under the non-cancelable operating lease is as follows:

Year Ending December 31,		
2023 (excluding the nine months ended September 30, 2023)	\$	99,225
2024		416,745
2025		<u>437,582</u>
Total lease payments		953,552
Less imputed interest		<u>(4,059)</u>
Total	<u>\$</u>	<u>949,493</u>

The following summarizes other supplemental information about the Company’s operating lease:

	September 30, 2023
Weighted average discount rate	0.36%
Weighted average remaining lease term (years)	2.17

## 6. Leases

Operating right of use (“ROU”) assets and operating lease liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating right of use assets represent the Company’s right to use an underlying asset and is based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, the Company estimates incremental secured borrowing rates corresponding to the maturities of the leases. The Company used the U.S. Treasury rate of 4% at December 31, 2022.

The Company leases a warehouse facility, and the land which are located at 150 Commerce Street, Old Fort, North Carolina (the “Property”) from NC Limited Liability Company. The Company entered into the lease on October 7, 2022, the lease has a term of two years. The current base rent payment is \$7,517 per month including property taxes, insurance, and common area maintenance. The lease required a \$7,517 security deposit. The base rent will increase three percent (3%) on October 15, 2023.



At September 30, 2023 and December 31, 2022, supplemental balance sheet information related to leases were as follows:

	September 30, 2023	December 31, 2022
Operating lease ROU asset	\$ 97,200	\$ 162,069
	September 30, 2023	December 31, 2022
Operating lease liabilities:		
Current portion	\$ 90,924	\$ 86,245
Non-current portion	—	68,532
Total	<u>\$ 90,924</u>	<u>\$ 154,777</u>

At September 30, 2023, future minimum lease payments under the non-cancelable operating leases are as follows:

2023 (excluding the nine months ended September 30, 2023)	\$ 23,226
2024	69,680
Total lease payment	\$ 92,906
Less imputed interest	(1,982)
Total	<u>90,924</u>

The following summarizes other supplemental information about the Company's operating lease:

	September 30, 2023
Weighted average discount rate	4%
Weighted average remaining lease term (years)	1.08
	Nine Months Ended September 30, 2023
Operating lease cost	\$ 67,650
Total lease cost	<u>\$ 67,650</u>

## 7. Finance Leases

### Vehicle and Equipment Lease

The Company has finance leases for a vehicle, two forklifts, and a copy machine. The Company entered into the vehicle lease in February of 2023, with an asset value of \$48,826, which is recorded in net property and equipment on the balance sheet, it is a 60-month lease at a 3% interest rate. The Company entered into the first forklift lease in January of 2023, with an asset value of \$43,579, which is recorded in net property and equipment on the balance sheet. It is a 60-month lease at a 7.5% interest rate. The Company entered into the second forklift lease in July of 2023, with an asset value of \$35,508, which is recorded in net property and equipment on the balance sheet. It is a 60-month lease at a 5.0% interest rate. The Company entered into the copier lease in July of 2023, with an asset value of \$4,245, which is recorded in net property and equipment on the balance sheet. It is a 60-month lease at a 7.0% interest rate.

### AquaSport lease

On April 20, 2023 Twin Vee incorporated AquaSport Co., a wholly owned subsidiary, in the state of Florida in connection with its plan to lease the AQUASPORT™ boat brand and manufacturing facility in White Bluff Tennessee. On May 5, 2023, Twin Vee and AquaSport Co. entered into an agreement with Ebbtide Corporation ("Ebbtide") providing AquaSport Co. with the right to acquire assets, AQUASPORT™ boat brand, trademarks, 150,000-square-foot manufacturing facility situated on 18.5 acres in White Bluff Tennessee, related tooling, molds, and equipment to build five Aquasport models ranging in size from 21 to 25-foot boats (the "AquaSport Assets").

Under the Agreement, the Company has the right to purchase the AquaSport Assets from Ebbtide for \$3,100,000 during the five-year term of the Agreement (or extension period), less credit for a \$300,000 security deposit paid by the Company and \$16,000 a month for any rent paid under the Agreement by AquaSport Co. to Ebbtide. AquaSport Co. will lease the AquaSport Assets from Ebbtide under the Agreement at a monthly rent of \$ 22,000 with the option to acquire the AquaSport Assets. The lease is for a term of five years,

commencing June 1, 2023 at a 2.93% interest rate, with one option to renew the lease for an additional five years. In the event AquaSport Co. commits three payment Events of Default (as defined in the Agreement) within any consecutive two-year period or commits any other material Event of Default that is not cured timely and remains uncured, Ebbtide may terminate AquaSport's rights under the Agreement to acquire the AquaSport Assets. In addition, Ebbtide has the right to terminate the Agreement if an Event of Default occurs. AquaSport's obligations under the Agreement have been guaranteed by the Company.

Finance leases on the AquaSport lease are recorded in property and equipment, net on the balance sheet.

	September 30, 2023	December 31, 2022
Land	\$ 1,000,000	\$ —
Building	100,000	—
Equipment	2,135,132	—

At September 30, 2023 and December 31, 2022, supplemental balance sheet information related to finance leases were as follows:

	September 30, 2023	December 31, 2022
Finance lease liabilities:		
Current portion	\$ 213,118	\$ —
Non-current portion	2,698,659	—
Total	<u>\$ 2,911,777</u>	<u>\$ —</u>

At September 30, 2023, future minimum lease payments under the non-cancelable finance leases are as follows:

Year Ending December 31		
2023 (excluding the nine months ended September 30, 2023)	\$	74,561
2024		298,250
2025		298,250
2026		298,060
2027		292,932
Thereafter		1,987,529
Total lease payment		<u>3,249,582</u>
Less imputed interest		(337,805)
Total	<u>\$</u>	<u>2,911,777</u>

The following summarizes other supplemental information about the Company's finance lease:

	September 30, 2023
Weighted average discount rate	3.07%
Weighted average remaining lease term (years)	4.91

## 8. Accrued Expenses

At September 30, 2023 and December 31, 2022, accrued expenses consisted of the following:

	September 30, 2023	December 31, 2022
Accrued wages and benefits	\$ 247,794	\$ 333,976
Accrued interest	35,544	47,607
Accrued bonus	332,475	20,000
Accrued operating expense	216,801	169,101
Accrued inventory	—	577,712
Warranty reserve	132,900	92,373
	<u>\$ 965,514</u>	<u>\$ 1,240,769</u>

## 9. Notes Payable – SBA EIDL Loan

On April 22, 2020, the Company received an SBA Economic Injury Disaster Loan (“EIDL”) in the amount of \$499,900. The loan is in response to the COVID-19 pandemic. The loan is a 30-year loan with an interest rate of 3.75%, interest only monthly payments of \$2,437 to begin October 22, 2022, under the EIDL program, which is administered through the SBA. Under the guidelines of the EIDL, the maximum term is 30 years; however, terms are determined on a case-by-case basis based on each borrower’s ability to repay and carry an interest rate of 3.75%. The EIDL loan has an initial deferment period wherein no payments are due for thirty months from the date of disbursement. The EIDL loan may be prepaid by the Company at any time prior to maturity with no prepayment penalties. The proceeds from this loan must be used solely as working capital to alleviate economic injury caused by the COVID-19 pandemic.

As part of the EIDL loan, the Company granted the SBA a continuing security interest in and to any and all collateral to secure payment and performance of all debts, liabilities and obligations of the Company to the SBA under the EIDL loan. The collateral includes substantially all tangible and intangible personal property of the Company.

A summary of the minimum maturities of term debt follows for the years set forth below.

Year ended December 31,		
2023	\$	—
2024		—
2025		—
2026		—
2027 and thereafter		499,900
Total	<u>\$</u>	<u>499,900</u>

## 10. Related Party Transactions

As discussed in Note 5, the Company has leased its Fort Pierce, Florida facilities from a company owned by its CEO.

During the three months ended September 30, 2023, and 2022, the Company recorded management fees of \$0 and \$15,225, respectively, paid to its shareholder parent company. During the nine months ended September 30, 2023, and 2022, the Company recorded management fees of \$0 and \$42,225, respectively, paid to its shareholder parent company.

During the three months ended September 30, 2023 and 2022, the Company received a monthly fee of \$6,800 and \$5,000, respectively, to provide management services and facility utilization to Forza. During the nine months ended September 30, 2023 and 2022, the Company received a monthly fee of \$6,800 and \$5,000, respectively, to provide management services and facility utilization to Forza. This income for the Company, and expense for Forza, has been eliminated in the condensed consolidated financial statements.

In August of 2022, Forza signed a six-month lease for a duplex on a property in Black Mountain, NC, to be used by its traveling employees during the construction of its new manufacturing facility, for \$2,500 per month. After the initial term of the lease, it was extended on a month-to-month basis. In August of 2023, the president of Forza, James Leffew, purchased the property, and Forza executed a new lease agreement with Mr. Leffew on the same month-to-month terms. For the three months ended September 30, 2023 and 2022, the lease expense was zero and \$2,536, respectively. For the nine months ended September 30, 2023 and 2022, the lease expense was \$12,500 and \$2,536, respectively.

## 11. Commitments and Contingencies

### *Repurchase Obligations*

Under certain conditions, the Company is obligated to repurchase new inventory repossessed from dealerships by financial institutions that provide credit to the Company's dealers. The maximum obligation of the Company under such floor plan agreements totaled approximately \$8,797,340 or 58 units, and \$10,693,000 or 67 units, as of September 30, 2023, and December 31, 2022, respectively. The Company incurred no impact from repurchase events during the nine months ended September 30, 2023 and year ended December 31, 2022.

### *Litigation*

The Company is currently involved in various civil litigation in the normal course of business none of which is considered material.

### *Irrevocable line of credit*

As of September 30, 2023, the Company had \$254,932 of restricted cash included in cash, cash equivalents and restricted cash. This amount represents a deposit to secure an irrevocable letter of credit for a supplier contract with Yamaha. These deposits are held in an interest-bearing account.

## 12. Stockholders' Equity

### **Twin Vee**

#### *Common Stock Warrants*

On October 3, 2022, the Company issued and sold to ThinkEquity LLC, as the underwriter in a firm commitment underwritten public offering (the "Offering") pursuant to the term of an underwriting agreement that the Company entered into with ThinkEquity LLC on September 28, 2022 (the "Underwriting Agreement"), an aggregate of 2,500,000 shares of the Company's common stock, par value \$0.001 per share, at a public offering price of \$2.75 per share, for gross proceeds of \$6,875,000, before deducting underwriting discounts, commissions and offering expenses. Pursuant to the Underwriting Agreement, the Company has also issued to the underwriter warrants to purchase up to 143,750 shares of Common Stock. The warrants will be exercisable at a per share exercise price of \$.4375.

As of September 30, 2023, the Company had outstanding warrants to purchase 150,000 shares of common stock issuable at a weighted-average exercise price of \$7.50 per share that were issued to the representative of the underwriters on July 23, 2021 in connection with the Company's initial public offering that closed on July 23, 2021 (the "IPO"). The representative's warrants are exercisable at any time and from time to time, in whole or in part, and expire on July 20, 2026. There was no warrant activity during the nine months ended September 30, 2023.

#### *Equity Compensation Plan*

The Company maintains an equity compensation plan (the "Plan") under which it may award employees, directors and consultants' incentive and non-qualified stock options, restricted stock units, stock appreciation rights and other stock-based awards with terms established by the Compensation Committee of the Board of Directors which has been appointed by the Board of Directors to administer the Plan. The number of awards under the Plan automatically increased on January 1, 2023. As of September 30, 2023, there were 424,823 shares remaining available for grant under this Plan.

## Accounting for Stock -Based Compensation

### Stock Compensation Expense

For the three months ended September 30, 2023 and 2022, the Company recorded \$132,453 and \$128,902, respectively, of stock-based compensation expense. For the nine months ended June 30, 2023 and 2022, the Company recorded \$421,798 and \$655,625, respectively, of stock-based compensation expense. Stock-based compensation expense is included in salaries and wages on the accompanying condensed consolidated statement of operations.

### Stock Options

Under the Company's 2021 Stock Incentive Plan the Company has issued stock options. A stock option grant gives the holder the right, but not the obligation to purchase a certain number of shares at a predetermined price for a specific period of time. The Company typically issues options that vest pro rata on a monthly basis over various periods. Under the terms of the Plan, the contractual life of the option grants may not exceed ten years.

The Company utilizes the Black-Scholes model to determine fair value of stock option awards on the date of grant. The Company utilized the following assumptions for option grants during the nine months ended September 30, 2023 and 2022:

	Nine months ended September 30,	
	2023	2022
Expected term	5 years	4.94 - 5 years
Expected average volatility	49 - 51%	49 - 50%
Expected dividend yield	—	—
Risk-free interest rate	1.50 - 4.45%	1.50 - 2.96%

The expected volatility of the option is determined using historical volatilities based on historical stock price of comparable boat manufacturing companies. The Company estimated the expected life of the options granted based upon historical weighted average of comparable boat manufacturing companies. The risk-free interest rate is determined using the U.S. Department of the Treasury yield curve rates with a remaining term equal to the expected life of the option. The Company has never paid a dividend, and as such the dividend yield is 0.0%

	Options Outstanding		Weighted Average	Fair value of option
	Number of Options	Weighted Average Exercise Price	Remaining life (years)	
Outstanding, December 31, 2022	1,283,571	\$ 4.14	8.95	2,256,233
Granted	—	—	—	—
Exercised	—	—	—	—
Expired	(44,394)	(5.40)	—	(101,960)
Forfeited/canceled	(25,000)	—	—	—
Outstanding, September 30, 2023	<u>1,214,177</u>	<u>\$ 4.13</u>	<u>8.21</u>	<u>4,410,507</u>
Exercisable options, September 30, 2023	<u>821,100</u>	<u>\$ 4.41</u>	<u>8.61</u>	

At September 30, 2023, 404,415 Twin Vee options are unvested and expected to vest over the next four years.

## Forza

### *Common Stock Warrants*

Forza had outstanding warrants to purchase 172,500 shares of common stock issuable at a weighted-average exercise price of \$6.25 per share that were issued to the representative of the underwriters on August 16, 2022 in connection with Forza's IPO. Forza also had outstanding warrants to purchase 306,705 shares of common stock issuable at a weighted-average exercise price of \$1.88 per share that were issued to the representative of the underwriters on June 14, 2023 in connection with Forza's secondary offering. The representative's warrants are exercisable at any time and from time to time, in whole or in part, and expire on August 16, 2027 and June 16, 2028, respectively. There was no warrant activity during the nine months ended September 30, 2023.

### *Equity Compensation Plan*

Forza maintains an equity compensation plan under which it may award employees, directors and consultants' incentive and non-qualified stock options, restricted stock, stock appreciation rights and other stock-based awards with terms established by the Compensation Committee of the Board of Directors which has been appointed by the Board of Directors to administer the plan. The number of awards under the Plan will automatically increase on January 1, 2023. As of September 30, 2023, there were 573,472 shares remaining available for grant under this Plan. Stock based compensation expense is included in the Statements of Operations, under salaries and wages.

### **Accounting for Stock -Based Compensation**

For the three months ended September 30, 2023 and 2022, Forza recorded \$332,107 and \$158,705, respectively, of stock-based compensation expense. For the nine months ended September 30, 2023 and 2022, Forza recorded \$1,015,087 and \$158,705, respectively, of stock-based compensation expense. Stock-based compensation expense is included in salaries and wages on the accompanying condensed statement of operations.

### *Stock Options*

Under Forza's 2022 Stock Incentive Plan (the "Forza Plan"), Forza has issued stock options. A stock option grant gives the holder the right, but not the obligation, to purchase a certain number of shares at a predetermined price for a specific period of time. Forza typically issues options that vest pro rata on a monthly basis over various periods. Under the terms of the Forza Plan, the contractual life of the option grants may not exceed ten years.

Forza utilizes the Black-Scholes model to determine fair value of stock option awards on the date of grant. Forza utilized the following assumptions for option grants during the nine months ended September 30, 2023:

	<b>Nine Months Ended September 30, 2023</b>
Expected term	5 years
Expected average volatility	112 - 115%
Expected dividend yield	—
Risk-free interest rate	2.98 - 3.62%

The expected volatility of the option is determined using historical volatilities based on historical stock price of comparable boat manufacturing companies. Forza estimated the expected life of the options granted based upon historical weighted average of comparable boat manufacturing companies. The risk-free interest rate is determined using the U.S. Department of the Treasury yield curve rates with a remaining term equal to the expected life of the option. Forza has never paid a dividend, and as such the dividend yield is 0.0%.

	Options Outstanding		Weighted Average	Fair value of option
	Number of Options	Weighted Average Exercise Price	Remaining life (years)	
Outstanding, December 31, 2021	—	\$ —	—	\$ —
Granted	1,441,500	3.41	10.00	4,009,913
Exercised	—	—	—	—
Forfeited/canceled	—	—	—	—
Outstanding, December 31, 2022	1,441,500	\$ 3.41	9.97	\$ 4,009,913
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited/canceled	(44,722)	1.33	9.66	—
Outstanding, September 30, 2023	<u>1,396,778</u>	<u>\$ 3.48</u>	<u>9.01</u>	<u>\$ 4,009,913</u>
Exercisable options, September 30, 2023	<u>476,639</u>	<u>\$ 3.85</u>	<u>8.98</u>	

### 13. Customer Concentration

Significant dealers are those that account for greater than 10% of the Company's revenues and purchases.

During the three months ended September 30, 2023, two individual dealers represented over 10% of the Company's total sales, and combined they represented 35% of total sales. During the three months ended September 30, 2022, three individual dealers represented over 10% of the Company's total sales, and combined they represented 43% of total sales. During the nine months ended September 30, 2023, there was one significant dealer who represented 20% of total sales. During the nine months ended September 30, 2022, three individual dealers represented over 10% of our sales, and combined they represented 37% of total sales.

### 14. Segment

The Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company's reportable segments.

The Company reported its financial performance based on the following segments: Gas-powered Boats, Franchise and Electric Boats.

The Company evaluates the performance of its reportable segments based on net sales and operating income. Net sales for business segments are generally based on the sale of boats and the sale of franchises. Income (loss) from operations for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. Operating income for each segment excludes other income and expenses. The Company does not include intercompany transfers between segments for management reporting purposes.

The following table shows information by reportable segments for the three and nine months ended September 30, 2023 and 2022:

For the three months ended September 30, 2023

	Gas-Powered Boats	Franchise	Electric Boat & Development	Total
Net Sales	\$ 8,057,986	\$ —	\$ 18,559	\$ 8,076,545
Cost of Products Sold	5,529,693	—	11,621	5,541,314
Operating Expenses	4,054,700	988	1,258,966	5,314,654
Operating Loss	(1,526,407)	(988)	(1,252,028)	(2,779,423)
Other Income (Expense)	133,885	(4,185)	205,714	335,414
Net Loss	\$ (1,392,523)	\$ (5,173)	\$ (1,046,314)	\$ (2,444,009)

For the three months ended September 30, 2022

	Gas-Powered Boats	Franchise	Electric Boat & Development	Total
Net Sales	\$ 8,812,021	\$ —	\$ —	\$ 8,812,021
Cost of Products Sold	5,411,404	—	66,543	5,477,947
Operating Expenses	3,210,920	529	979,585	4,191,034
Operating Income (Loss)	189,697	(529)	(1,046,128)	(856,960)
Other Income (Expense)	(29,673)	(3,942)	3,465	(30,149)
Net Income (Loss)	\$ 160,025	\$ (4,471)	\$ (1,042,663)	\$ (887,109)

For the nine months ended September 30, 2023

	Gas-Powered Boats	Franchise	Electric Boat & Development	Total
Net Sales	\$ 24,962,343	\$ —	\$ 18,559	\$ 24,980,902
Cost of Products Sold	16,958,995	—	102,358	17,061,354
Operating Expenses	11,192,837	2,386	4,917,498	16,112,721
Operating Loss	(3,189,490)	(2,386)	(5,001,297)	(8,193,173)
Other Income (Expense)	1,563,128	(12,369)	466,197	2,016,956
Net Loss	\$ (1,626,362)	\$ (14,755)	\$ (4,535,100)	\$ (6,176,217)

For the nine months ended September 30, 2022

	Gas-Powered Boats	Franchise	Electric Boat & Development	Total
Net Sales	\$ 23,218,666	\$ (1,032)	\$ —	\$ 23,217,634
Cost of Products Sold	13,910,386	975	90,633	14,001,994
Operating Expenses	9,468,511	34,560	2,089,661	11,592,732
Operating Loss	(160,231)	(36,567)	(2,180,294)	(2,377,092)
Other Income (Expense)	(181,114)	(30,059)	(28,944)	(240,116)
Net Loss	\$ (341,344)	\$ (66,626)	\$ (2,209,238)	\$ (2,617,208)

Property and equipment, net, classified by business were as follows:

	September 30, 2023	December 31, 2022
Gas-Powered Boats	\$ 9,074,229	\$ 4,770,496
Franchise	\$ —	\$ —
Electric-Boats	\$ 979,118	\$ 765,406

## 15. Subsequent Events

The Company has evaluated all event or transactions that occurred after September 30, 2023 through August 13, 2023, which is the date that the condensed consolidated financial statements were available to be issued. During this period, there were no material subsequent events requiring recognition or disclosure.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes included in this Quarterly Report on Form 10-Q. The following discussion contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements." Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those discussed below and elsewhere in this Quarterly Report on Form 10-Q. This discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and notes thereto. You should also review the disclosure under the heading "Risk Factors" in this Quarterly Report on Form 10-Q and under Part 1, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 for a discussion of important factors that could cause our actual results to differ materially from those anticipated in these forward-looking statements.*

### OVERVIEW

We are a designer, manufacturer and marketer of recreational and commercial power boats. We believe our company has been an innovator in the recreational and commercial power catamaran industry. We currently have 13 gas-powered models in production ranging in size from our 20-foot mono hull, single engine, center console to our newly designed 40-foot offshore 400 GFX catamaran, quad engines. While our twin-hull catamaran running surface, known as a symmetrical catamaran hull design, adds to the Twin Vee ride quality by reducing drag, increasing fuel efficiency, and offering users a stable riding boat, our new mono hull line addresses the largest portion of the overall market.

We have organized our business into three operating segments: (i) our gas-powered boat segment which manufactures and distributes gas-powered boats under the Twin Vee and AquaSport names; (ii) our electric-powered boat segment which is developing fully electric boats, through our publicly owned subsidiary, Forza X1, Inc., a Delaware corporation ("Forza") and (iii) our franchise segment which is developing a standard product offering and will be selling franchises across the United States through our wholly owned subsidiary, Fix My Boat, Inc., a Delaware corporation.

Our gas-powered boats allow consumers to use them for a wide range of recreational activities including fishing, diving and water skiing and commercial activities including transportation, eco tours, fishing and diving expeditions. We believe that the performance, quality and value of our boats position us to achieve our goal of increasing our market share and expanding the power catamaran boating market. We currently primarily sell our boats through a current network of 23 independent boat dealers in 37 locations across North America and the Caribbean who resell our boats to the end user Twin Vee and AquaSport customers. We continue recruiting efforts for high quality boat dealers and seek to establish new dealers and distributors domestically and internationally to distribute our boats as we grow our production and introduce new models. Our gas-powered boats are currently outfitted with gas-powered outboard combustion engines.

Due to the growing demand for sustainable, environmentally friendly electric and alternative fuel commercial and recreational vehicles, Forza, is designing and developing a line of electric-powered boats. Our electric boats are being designed as fully integrated electric boats including the hull, outboard motor and control system. To date, Forza X1 has built-out and tested multiple Forza company units, including: three offshore-style catamarans, two bay boat-style catamarans, one deck boat and three 22-foot center console (F22) monohulls. In addition, Forza has also electrified a pontoon boat for a major national pontoon manufacturer. We are in the process of an additional pontoon electrification project and are building an additional five monohulls. Each build cycle includes improvements and involves extensive duration and performance testing. The engine design and lower units and the control systems are continuously improved with each iteration. Cooling system improvements have also been prioritized and have yielded a myriad of benefits to runtime, speed, and range. We continue to iterate the engine design, including value engineering of parts and lightweighting of engine components. We are experimenting with our first 300 HP stacked motor design. We anticipate revenues from the sale of these fully integrated electric boats and motors to commence in late 2023. Forza will continue to build prototype engines and boats for the next six to nine months.

During the third quarter of 2023, we saw a small decrease in demand of our productions. Our company's objectives have been to add new, larger boat models to our GFX lineup, expand our dealers and distribution network, and increase unit production to fulfill our customer and dealer orders. We have now added our monohull line, shipping our first model of the monohull, the 22 foot, in February of 2023. We have increased our sales by 8% for the first nine months of 2023, compared to 2022, shipping 193 boats compared to 147 in 2022, a 31% increase. The average selling price of our units did decrease by 18%, in the first nine months of 2023 to approximately \$129,333. This is due to the inclusion of our monohull boats which have an average selling price of approximately \$60,000 per unit. The addition of the monohull boat accounted for 20% of our total sales in the first nine months.

#### **Recent Developments**

On April 20, 2023 we incorporated AquaSport Co., a wholly owned subsidiary, in the state of Florida in connection with our plan to lease the AQUASPORT™ boat brand and manufacturing facility in White Bluff, TN. On May 5, 2023, we and AquaSport Co. entered into an agreement with Ebbtide Corporation ("Ebbtide") providing AquaSport Co. with the right to acquire assets, AQUASPORT™ boat brand, trademarks, 150,000-square-foot manufacturing facility situated on 18.5 acres in White Bluff, TN, related tooling, molds, and equipment to build five Aquasport models ranging in size from 21 to 25-foot boats (the "AquaSport Assets").

Under the agreement, AquaSport Co. has the right to purchase the AquaSport assets from Ebbtide for \$3,100,000 during the five-year term of the Agreement (or extension period), less credit for a \$300,000.00 security deposit paid by us and \$16,000 a month for any rent paid under the Agreement by AquaSport Co. to Ebbtide. AquaSport Co. will lease the AquaSport assets from Ebbtide under the agreement at a monthly rent of \$22,000 pending AquaSport Co.'s acquisition of the AquaSport assets. The lease is for a term of five years, commencing June 1, 2023, with one option to renew the lease for an additional five years.

The White Bluff, TN, AquaSport facility was opened to produce the AquaSport legacy line of monohull boats. While there was interest in the legacy models, we've seen light demand for these models from our Dealer Network and customers. We've seen much higher demand for the newly designed AquaSport models currently manufactured in our Fort Pierce, FL, facility.

Lower demand for these legacy models, coupled with the current economic headwinds in the boating industry, led us to close the Tennessee facility in November 2023, and to consolidate its manufacturing operations in our Florida facility. We remain dedicated to the AquaSport brand and will continue to design and produce new models, including the 240 CC and the 280 CC, which will be available over the next two quarters.

## Results of Operations

### Comparison of the Three Months Ended September 30, 2023 and 2022

The following table provides certain selected financial information for the periods presented:

	Three Months Ended September 30,		Change	% Change
	2023	2022		
Net Sales	\$ 8,076,545	\$ 8,812,021	\$ (735,476)	(8%)
Cost of Sales	5,541,314	5,477,947	63,367	1%
Gross Profit	2,535,231	3,334,074	(798,843)	(24%)
Operating Expenses	5,314,654	4,191,034	1,123,620	27%
Operating Loss	(2,779,423)	(856,960)	(1,922,463)	224%
Other Income	335,414	(30,149)	365,563	(1,213%)
Net Loss	\$ (2,444,009)	\$ (887,109)	\$ (1,556,900)	176%
Net Loss per Common Share:				
Basic	\$ (0.20)	\$ (0.10)	\$ (0.10)	96%
Weighted average number of common shares outstanding:				
Basic	9,520,000	7,013,478	2,506,522	

### Net Sales and Cost Sales

Our net sales decreased by \$735,476, or 8% to \$8,076,545 for the three months ended September 30, 2023 from \$8,812,021 for the three months ended September 30, 2022. This decrease was due to an increase in the number of monohull boats sold during the three months ended September 30, 2023, which have a much lower average price than our multi-hull boats. The number of boats sold during the three months ended September 30, 2023 increased 25% over the three months ended September 30, 2022. Additionally, we have incorporated discounts and rebates, to move the boats from the factory to retail customers.

### Gross Profit

Gross profits decreased by \$798,843 or 24% to \$2,535,231 for the three months ended September 30, 2023 from \$3,334,074 for the three months ended September 30, 2022. Gross profit as a percentage of sales, for the three months ended September 30, 2023 and 2022, was 31.0% and 31.8% respectively. The model mix has changed significantly in the third quarter, shifting from our traditional catamarans to our new 220 monohulls. This has put downward pressure on our gross profits for the quarter. The Company is just entering into the monohull market which is highly competitive. As the company moves forward the model mix between mono and catamarans will have an impact on our gross profit.

### Total Operating Expenses

Our total operating expenses for the three months ended September 30, 2023 and 2022 were \$5,314,654 and \$4,191,034 respectively. Operating expenses as a percentage of sales were 65.8% compared to 47.6% in the prior year. Our total operating expenses, for our gas-powered boat segment, for the three months ended September 30, 2023 and 2022 were \$4,054,700 and \$3,210,920 respectively. As a percentage of net sales, for the three months ended September 30, 2023 and 2022, operating expenses for our gas-powered segment were 50.2% and 36.4%, respectively. Our total operating expenses for Forza, our electric powered boat and development segment, for the three months ended September 30, 2023 and 2022 were \$1,258,966 and \$979,585, respectively.

Selling, general, and administrative expenses increased by approximately 39%, or \$277,559 to \$984,881 for the three months ended September 30, 2023, compared to \$707,322 for the three months ended September 30, 2022. The largest drivers of the increase were increases in rent expense, sales and marketing, and dues and subscriptions. Rent expenses increased by \$82,455, from \$101,572 for the three months ended September 30, 2022, to \$184,027 for the three months ended September 30, 2023. Sales and marketing expenses increased by \$133,649, from \$90,073 for the three months ended September 30, 2022, to \$223,722 for the three months ended September 30, 2023. The biggest component of our sales and marketing efforts in the third quarter was our dealer meeting, the costs for which increased by \$45,815, from \$24,907 for the three months ended September 30, 2022, to \$70,722 for the three months ended September 30, 2023. Lastly our dues and subscriptions increased by \$45,831, from \$2,203 for the three months ended September 30, 2022, to \$48,034 for the three months ended September 30, 2023. We have implemented a new ERP system that requires a monthly subscription fee, as well as engineering software that is being utilized by Forza.

Salaries and wage related expenses increased by approximately 27%, or \$769,790 to \$3,661,654 for the three months ended September 30, 2023, compared to \$2,891,863 for the three months ended September 30, 2022. The majority of the increase is due to additional staffing at Forza, as well as the staffing of Aquasport which did not resume production until the third quarter. Included in salaries and wage related expenses for the three months ended September 30, 2023 was stock-based compensation expense of \$464,560, Forza's portion of that expense being \$332,107. In total, stock-based compensation expense increased by \$176,953 as compared to the prior year period.

Research and development expenses declined by \$220,069, or 78%, to \$63,867 for the three months ended September 30, 2023, from \$283,936 for the three months ended September 30, 2022. Part of the use of proceeds from Forza's initial public offering ("IPO") was the development of an electric boat and an electric motor, the expense for which was higher in the early phases of development.

Professional fees increased by 94%, or \$127,115 to \$262,426 for the three months ended September 30, 2023, compared to \$135,311 for the three months ended 2022. This increase was due to the additional costs associated with Forza now being a public company, in addition to Twin Vee. We have also engaged the services of an outside financial consultant, an audit firm, and SEC legal counsel to fulfill our public company reporting obligations.

Depreciation and amortization expense increased by 98%, or \$169,225 to \$341,826 for the three months ended September 30, 2023, as compared to \$172,602 for the three months ended 2022. This increase is due to the addition of fixed assets, primarily molds, to increase our production levels and throughput.

Other income increased by \$365,563 to \$335,414 for the three months ended September 30, 2023, as compared to an expense of \$30,149 for the three months ended, 2022. Due to the investment of a portion of our cash in marketable securities, our dividend income increased by \$212,954, to \$242,718 for the three months ended September 30, 2023, as compared to \$29,764 for the three months ended September 30, 2022.

#### **Net Loss**

Net loss for the three months ended September 30, 2023 was \$2,444,009, as compared to \$887,109 for the three months ended September 30, 2022, an increase of \$1,556,900. Our electric segment, which does not generate any revenue at this time, incurred a loss of \$1,046,314, for the three months ended September 30, 2023, related mostly to staffing costs, and to a lesser extent, research and development. Our gas-powered segment incurred a loss of \$1,392,523 for the three months ended September 30, 2023, due largely to the acquisition of AquaSport, which did not begin production until late in the third quarter. Basic and dilutive loss per share of common stock for the three months ended September 30, 2023 was (\$0.20), as compared to (\$0.10) for the three months ended September 30, 2022.

### Comparison of the Nine Months Ended September 30, 2023 and 2022

The following table provides certain selected financial information for the periods presented:

	Nine Months Ended September 30,		Change	% Change
	2023	2022		
Net Sales	\$ 24,980,902	\$ 23,217,634	\$ 1,763,268	8%
Cost of Sales	17,061,354	14,001,994	3,059,360	22%
Gross Profit	7,919,548	9,215,640	(1,296,092)	(14%)
Operating Expenses	16,112,721	11,592,732	4,519,989	39%
Operating Loss	(8,193,173)	(2,377,092)	(5,816,081)	245%
Other Income	2,016,956	(240,116)	2,257,072	(940%)
Net Loss	\$ (6,176,217)	\$ (2,617,208)	\$ (3,559,009)	136%
Net Loss per Common Share:				
Basic	\$ (0.46)	\$ (0.35)	\$ (0.11)	32%
Weighted average number of common shares outstanding:				
Basic	9,520,000	7,004,542	2,515,458	

#### Net Sales and Cost Sales

Our net sales increased \$1,763,268, or 8% to \$24,980,902 for the nine months ended September 30, 2023 from \$23,217,634 for the nine months ended September 30, 2022. This increase was due to an increase in the number of boats sold during the nine months ended September 30, 2023. The number of our boats sold during the nine months ended September 30, 2023 increased 31% over the nine months ended September 30, 2022, due to our increased production plan, enabling us to produce more boats during the quarter. Additionally, we have incorporated discounts and rebates, to help move boats through to retail customers.

#### Gross Profit

Gross profits decreased by \$1,296,092, or 14%, to \$7,919,548 for the nine months ended September 30, 2023 from \$9,215,640 for the nine months ended September 30, 2022. Gross profit as a percentage of sales, for the nine months ended September 30, 2023 and 2022, was 31.7% and 39.7% respectively. The model mix changed significantly, year over year, shifting from our traditional catamarans to our new 220 monohulls. This has put downward pressure on our gross profits so far this year. The Company is just entering into the monohull market which is highly competitive. As the Company moves forward, the trade-off between monohulls and catamarans will continue to impact our gross profit.

#### Total Operating Expenses

Our total operating expenses for the nine months ended September 30, 2023 and 2022 were \$16,112,721 and \$11,592,732 respectively. Operating expenses as a percentage of net sales were 64.5% compared to 49.9% in the prior year. For the nine months ended September 30, 2023 and 2022, total operating expenses for our gas-powered boat segment were \$11,192,837 and \$9,468,511, respectively. As a percentage of net sales, for the nine months ended September 30, 2023 and 2022, operating expenses for our gas-powered segment were 44.8% and 40.8%, respectively. For the nine months ended September 30, 2023 and 2022, total operating expenses for Forza, our electric powered boat and development segment, were \$4,917,498 and \$2,089,661, respectively.

Selling, general and administrative expenses increased by approximately 44%, or \$894,129, to \$2,921,516 for the nine months ended September 30, 2023, as compared to \$2,027,387 for the nine months ended September 30, 2022. The largest drivers of the increase were increases in rent expense, sales and marketing, and dues and subscriptions. Rent expenses increased by \$162,865, from \$301,681 for the nine months ended September 30, 2022,

to \$464,546 for the nine months ended September 30, 2023. Sales and marketing expenses increased by \$448,552, from \$213,708 for the nine months ended September 30, 2022, to \$662,260 for the nine months ended September 30, 2023. The biggest components of our sales and marketing efforts so far in 2023 have been advertising and dealer meeting expense, the costs for which increased by \$153,238, from \$43,648 for the nine months ended September 30, 2022, to \$196,886 for the nine months ended September 30, 2023. Lastly our dues and subscriptions increased by \$142,605, from \$5,539 for the nine months ended September 30, 2022, to \$148,144 for the nine months ended September 30, 2023. We have implemented a new ERP system that requires a monthly subscription fee, as well as engineering software that is being utilized by Forza.

Salaries and wage related expenses increased by approximately 31%, or \$2,499,641 to \$10,438,595 for the nine months ended September 30, 2023, as compared to \$7,938,954 for the nine months ended September 30, 2022. Salaries and wage related expenses related to Forza were \$2,565,460 so far in 2023. Included in salaries and wage related expenses for the nine months ended September 30, 2023 was stock-based compensation expense of \$1,436,885, representing an increase of \$622,555 over the nine months ended September 30, 2022. \$1,015,087 of the stock-based compensation is attributed to Forza.

Research and development expenses increased by \$250,209, or 37% to \$930,497 for the nine months ended September 30, 2023, from \$680,288 for the nine months ended September 30, 2022. Part of the use of proceeds from the Forza IPO was the development of an electric boat and an electric motor.

Professional fees increased by 70%, or \$403,856 to \$977,448 for the nine months ended September 30, 2023, compared to \$573,592 for the nine months ended 2022. This increase was due to the additional costs associated with Forza now being a public company, in addition to Twin Vee. We have also engaged the services of an outside financial consultant, an audit firm, and SEC legal counsel to fulfill our public company reporting obligations.

Depreciation and amortization expense increased by 127%, or \$472,155, to \$844,665 for the nine months ended September 30, 2023, compared to \$372,511 for the nine months ended 2022. This increase is due to the addition of fixed assets, primarily molds, to increase our production levels and throughput.

Other income increased by \$2,257,072 to \$2,016,956 for the nine months ended September 30, 2023, as compared to an expense of \$240,116 for the nine months ended, 2022. We received \$1,267,055 of government grant income in 2023, due to the Employee Retention Credit. Due to the investment of a portion of our cash in marketable securities, our dividend income increased by \$697,123, to \$730,117 for the nine months ended September 30, 2023, as compared to \$32,994 for the nine months ended September 30, 2022.

#### **Net Loss**

Net loss for the nine months ended September 30, 2023 was \$6,176,217, as compared to \$2,617,208 for the nine months ended September 30, 2022, representing an increase of \$3,559,009. Our electric segment, which does not generate any revenue at this time, incurred a loss of \$4,535,100 for the nine months ended September 30, 2023, related to research and development. Our gas-powered segment incurred a loss of \$1,626,362 for the nine months ended September 30, 2023, due largely to the acquisition of AquaSport, which did not begin production until late in the third quarter. Basic and dilutive loss per share of common stock for the nine months ended September 30, 2023 was (\$0.46), as compared to (\$0.35) for the nine months ended September 30, 2022.

#### **Liquidity and Capital Resources**

A primary source of funds for the year ended December 31, 2022 and through September 30, 2023 was net cash received from our secondary offering, as well as Forza's initial public and secondary offering and revenue generated from operations. Our primary use of cash was related to funding the expansion of our operations through capital improvements, adding staff, and increasing inventory levels to meet the increase in demand for our products. With uncertainty on component availability, prolonged lead time and rising prices, we had been adding to our inventory far earlier than in previous years, resulting in excess inventory of raw materials at the end of the quarter. Our priority over the next several months is to minimize new purchase orders and to deploy as much of this inventory as possible into new production.

The following table provides selected financial data about us as of September 30, 2023 and December 31, 2022.

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>Change</b>	<b>% Change</b>
Cash, cash equivalents and restricted cash	\$ 12,401,551	\$ 23,501,007	\$ (11,099,456)	(47.2%)
Current assets	\$ 32,723,571	\$ 29,887,529	\$ 2,836,042	9.5%
Current liabilities	\$ 5,326,655	\$ 3,791,063	\$ 1,535,592	40.5%
Working capital	\$ 27,396,915	\$ 26,096,466	\$ 1,300,450	5.0%

As of September 30, 2023, we had \$12,401,551 of cash, cash equivalents, and restricted cash, \$11,604,998 of marketable securities, total current assets of \$32,723,571, and total assets of \$44,276,783. Our total liabilities were \$9,065,674. Our total liabilities were comprised of current liabilities of \$5,326,655 which included accounts payable and accrued liabilities of \$4,599,320, current portion of operating leases right of use liability of \$499,957, finance leases liability of \$213,118, contract liability of \$14,259 and long-term liabilities of \$3,739,019. As of December 31, 2022, we had \$23,501,007 of cash, cash equivalents, and restricted cash, \$2,927,517 of marketable securities, total current assets of \$29,887,529 and total assets of \$38,231,480. Our total current liabilities were \$3,791,063 and total liabilities of \$5,210,591 which included long-term operating leases liabilities for the lease of our facility.

The accumulated deficit was \$11,517,958 as of September 30, 2023 compared to accumulated deficit of \$7,154,808 as of December 31, 2022.

Our working capital increased by \$1,300,450 to \$27,396,915 as of September 30, 2023, compared to \$26,096,466 on December 31, 2022, this being attributable to the public offering the Forza completed in June of 2023.

We believe that our cash, cash equivalents, and marketable securities will provide sufficient resources to finance operations for the next 24 months from the date of the filing of this Quarterly Report on Form 10-Q. In addition to cash, cash equivalents, and marketable securities, we anticipate that we will be able to rely, in part, on cash flows from operations in order to meet our liquidity and capital expenditure needs in the next year. We do anticipate Forza's expenses to increase during the next two years as it constructs its planned manufacturing facility in McDowell, North Carolina, the cost of which we expect will be paid for through the proceeds of Forza's public offerings, and certain grant funding, provided the conditions to receipt of the grant funding are met, of which there can be no assurance.

#### Cash Flow

	<b>Nine Months Ended September 30,</b>		<b>Change</b>	<b>% Change</b>
	<b>2023</b>	<b>2022</b>		
Cash Used in Operating Activities	\$ (6,930,130)	\$ (2,584,381)	\$ (4,345,749)	168%
Cash Used in Investing Activities	\$ (11,061,664)	\$ 688,423	\$ (11,750,087)	-1707%
Cash Provided by Financing Activities	\$ 6,892,338	\$ 14,896,218	\$ (8,003,880)	-54%
Net Change in Cash	\$ (11,099,456)	\$ 13,000,260	\$ (24,099,716)	-185%

### ***Cash Flow from Operating Activities***

For the nine months ended September 30, 2023, net cash flows used in operating activities was \$6,930,130 compared to \$2,584,381 during the nine months ended September 30, 2022. We increased inventory levels by \$4,126,506, due to opening the AquaSport production facility and adding two additional engine suppliers. Accounts receivable increased by \$494,339, and accounts payable increased by \$1,568,127. Our accrued expenses decreased by \$275,255 and prepaid expenses decreased by \$332,142. Our net loss from operation was \$6,176,217, and was decreased by non-cash expenses of \$2,591,485, the largest of these being stock-based compensation of \$1,436,885, change of right-of-use asset and leases liabilities of \$355,519, and depreciation of \$844,665.

### ***Cash Flow from Investing Activities***

During the nine months ended September 30, 2023, we used \$11,061,664 in investment activities, compared to \$688,423 provided by investment activities during the nine months ended September 30, 2022. We invested \$2,413,119 in the purchase of property and equipment, primarily for new model boat molds of approximately \$700,025, land of approximately \$1,119,758, and assets under construction of approximately \$1,973,963. We also invested \$8,608,148 into marketable securities, as well as paid \$16,650 in security deposits for the new AquaSport facility.

### ***Cash Flows from Financing Activities***

For the nine months ended September 30, 2023, net cash provided by financing activities was approximately \$6,892,338 compared to net cash provided by financing activities of \$14,896,218 for the nine months ended September 30, 2022. The cash flow from financing activities for the nine months ended September 30, 2023 included net proceeds of \$6,996,015 and deferred offering cost of \$66,463 from a follow on underwritten public offering for Forza in June 2023. Additional cash used for financing activities of \$37,214 was related to equipment financing. The cash provided by financing activities for the nine months ended September 30, 2022, included \$14,924,989 in net proceeds from the Forza IPO.

### ***CRITICAL ACCOUNTING ESTIMATES***

We believe that several accounting policies are important to understanding our historical and future performance. We refer to these policies as “critical” because these specific areas generally require us to make judgments and estimates about matters that are uncertain at the time we make the estimate, and different estimates—which also would have been reasonable—could have been used, which would have resulted in different financial results.

Our management’s discussion and analysis of financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of our condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates based on historical experience and make various assumptions, which management believes to be reasonable under the circumstances, which form the basis for judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The notes to our condensed consolidated financial statements contained herein contain a summary of our significant accounting policies. We consider the following accounting policies critical to the understanding of the results of our operations:



### *Revenue Recognition*

The Company's revenue is derived primarily from the sale of boats, motors and trailers to its independent dealers. The Company recognizes revenue when obligations under the terms of a contract are satisfied and control over promised goods is transferred to the dealer. For the majority of sales, this occurs when the product is released to the carrier responsible for transporting it to a dealer. The Company typically receives payment within five business days of shipment. Revenue is measured as the amount of consideration it expects to receive in exchange for a product. The Company offers dealer incentives that include wholesale rebates, retail rebates and promotions, floor plan reimbursement or cash discounts, and other allowances that are recorded as reductions of revenues in net sales in the statements of operations. The consideration recognized represents the amount specified in a contract with a customer, net of estimated incentives the Company reasonably expects to pay. The estimated liability and reduction in revenue for dealer incentives is recorded at the time of sale. Subsequent adjustments to incentive estimates are possible because actual results may differ from these estimates if conditions dictate the need to enhance or reduce sales promotion and incentive programs or if dealer achievement or other items vary from historical trends. Accrued dealer incentives are included in accrued liabilities in the accompanying consolidated balance sheets.

Payment received for the future sale of a boat to a customer is recognized as a customer deposit. Customer deposits are recognized as revenue when control over promised goods is transferred to the customer.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States "U.S. GAAP" requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. Included in those estimates are assumptions about allowances for inventory obsolescence, useful life of fixed assets, warranty reserves and bad-debt reserves.

### *Inventories*

Inventories are stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. Net realizable value is defined as sales price less cost of completion, disposable and transportation and a normal profit margin. Production costs, consisting of labor and overhead, are applied to ending finished goods inventories at a rate based on estimated production capacity. Excess production costs are charged to cost of products sold. Provisions are made when necessary to reduce excess or obsolete inventories to their net realizable value.

### *Impairment of Long-Lived Assets*

Management assesses the recoverability of its long-lived assets when indicators of impairment are present. If such indicators are present, recoverability of these assets is determined by comparing the undiscounted net cash flows estimated to result from those assets over the remaining life to the assets' net carrying amounts. If the estimated undiscounted net cash flows are less than the net carrying amount, the assets would be adjusted to their fair value, based on appraisal or the present value of the undiscounted net cash flows.

### *Product Warranty Costs*

As required by FASB ASC Topic 460, *Guarantees*, we are including the following disclosure applicable to our product warranties.

We accrue for warranty costs based on the expected material and labor costs to provide warranty replacement products. The methodology used in determining the liability for warranty cost is based upon historical information and experience. Our warranty reserve is calculated as the gross sales multiplied by the historical warranty expense return rate.

### *Leases*

We adopted FASB Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("Topic 842"), using the modified retrospective adoption method with an effective date of January 1, 2019. This standard requires all lessees to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments.

Under Topic 842, we applied a dual approach to all leases whereby we are a lessee and classify leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by us. Lease classification is evaluated at the inception of the lease agreement.

### *Deferred Income Taxes and Valuation Allowance*

We account for income taxes under ASC 740 "Income Taxes." Under the asset and liability method of ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that we will not realize tax assets through future operations.

### **OFF-BALANCE SHEET ARRANGEMENTS**

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

### **ITEM 4. CONTROLS AND PROCEDURES.**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC"). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. We have adopted and maintain disclosure controls and procedures (as defined Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed in the reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q, is collected, recorded, processed, summarized, and reported within the time periods specified in the rules of the SEC. Our disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to management to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our Chief Executive Officer and Chief Financial Officer concluded that, as of such a date, our disclosure controls and procedures were not effective due to the material weaknesses in our internal control over financial reporting, related tonot yet having retained sufficient staff or engaged sufficient outside consultants with appropriate experience in GAAP presentation, especially of complex instruments.

#### **Remediation Plan**

Management has developed and is executing a remediation plan to address the previously disclosed material weaknesses, due to inadequate staffing levels. We have retained a full-time Controller and a Staff Accountant; we have selected and have recently implemented a robust ERP system, and we are utilizing the assistance of outside advisors where appropriate.

To remediate the existing material weaknesses, additional time is required to demonstrate the effectiveness of the remediation efforts. The material weaknesses cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. As of September 30, 2023, controls and procedures have been implemented to remediate the material weakness, however testing of controls continues.

## Changes in Internal Control over Financial Reporting

During the nine months ended September 30, 2023, we implemented a more powerful ERP system to record transactions and manage our supply chain. We also hired replacement staff in our finance department, and are currently developing and refining our controls and other procedures to ensure that information required to be disclosed by us in the reports that we file with the SEC are recorded, processed, summarized, and reported within the time periods specified in SEC rules and in accordance with GAAP.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

### ITEM 1A. RISK FACTORS.

Investing in our securities involves a high degree of risk. You should consider carefully the following risks, together with all the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and notes thereto. If any of the following risks actually materializes, our operating results, financial condition and liquidity could be materially adversely affected. The following information updates, and should be read in conjunction with, the information disclosed in Part I, Item 1A, "Risk Factors," contained in our Annual Report on Form 10-K for the year ended December 31, 2022. Except as disclosed below, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

*We have incurred losses for the quarter ended September 30, 2023 and the year ended December 31, 2022, and could continue to incur losses in the future.*

For the year ended December 31, 2022, we incurred a loss from operations of \$6,021,707 and a net loss of \$5,793,414. For the nine months ended September 30, 2023, we incurred a loss from operations of \$8,193,173 and a net loss of \$6,176,217. As of September 30, 2023, we had an accumulated deficit of approximately \$11.5 million. There can be no assurance that expenses will not continue to increase in future periods or that the cash generated from operations in future periods will be sufficient to satisfy our operating needs and to generate income from operations and net income.

*The capacity of the manufacturing facility that we and Forza utilize will not be sufficient to support our future growth and business plans.*

We are currently operating close to full capacity at our current manufacturing facility in Fort Pierce. Forza plans to manufacture its electric boats at a new state of the art carbon neutral factory that it plans to build in McDowell County, North Carolina. Until we are able to expand our manufacturing capacity and Forza is able to build the planned manufacturing facility, we will continue to share our current manufacturing facility with Forza, which has a limited capacity and may not be able to satisfy our and their manufacturing needs. Any facility that we build will require a significant capital investment and is expected to take at least one to two years to build and become fully operational. As a result of limited capacity at our facility, Forza's ability to produce any boats will be limited to the available capacity of our facility until Forza's future manufacturing facility is operational. If capacity is not available, Forza will not be able to produce its electric boats as planned.

In addition, Forza intends to utilize grant funding to pay for certain costs associated with the building of its manufacturing facility. On July 28, 2022, we received notice that the North Carolina Economic investment committee has approved a Job Development Investment Grant (“JDIG”) providing for reimbursement to us of up to \$1,367,100 over a twelve-year period to establish a new manufacturing plant in McDowell County, North Carolina. The receipt of grant funding is conditioned upon Forza investing over \$10.5 million in land, buildings and fixtures, infrastructure and machinery and equipment by the end of 2025 and Forza creating as many as 170 jobs. There can be no assurance that Forza will meet the conditions necessary to receive the grant funding.

***Changes in general economic conditions, geopolitical conditions, domestic and foreign trade policies, monetary policies and other factors beyond our control may adversely impact our business and operating results.***

Our operations and performance depend on global, regional and U.S. economic and geopolitical conditions. General worldwide economic conditions have experienced significant instability in recent years including the recent global economic uncertainty and financial market conditions. Russia’s invasion and military attacks on Ukraine have triggered significant sanctions from U.S. and European leaders and financial markets around the world experienced volatility following the invasion of Ukraine by Russia in February 2022. Resulting changes in U.S. trade policy could trigger retaliatory actions by Russia, its allies and other affected countries, including China, resulting in a “trade war.” There is also uncertainty as to the effects of the new war in the Middle East which could adversely impact the economy. Furthermore, if other countries, including the U.S., become further involved in these conflicts, we could face significant adverse effects to our business and financial condition.

The uncertain financial markets, disruptions in supply chains, mobility restraints, and changing priorities as well as volatile asset values could impact our business in the future. The COVID-19 outbreak and government measures taken in response to the pandemic have also had a significant impact, both direct and indirect, on businesses and commerce, as worker shortages have occurred; supply chains have been disrupted; facilities and production have been suspended; and demand for certain goods and services, such as medical services and supplies, have spiked, while demand for other goods and services, such as travel, have fallen. The future progression of the pandemic and its effects on our business and operations are uncertain. In addition, the outbreak of a pandemic could disrupt our operations due to absenteeism by infected or ill members of management or other employees, or absenteeism by members of management and other employees who elect not to come to work due to the illness affecting others in our office or laboratory facilities, or due to quarantines. Pandemics could also impact members of our Board of Directors resulting in absenteeism from meetings of the directors or committees of directors, and making it more difficult to convene the quorums of the full Board of Directors or its committees needed to conduct meetings for the management of our affairs.

Further, due to increasing inflation, operating costs for many businesses including ours have increased and, in the future, could impact demand or pricing manufacturing of our drug candidates or services providers, foreign exchange rates or employee wages. Inflation rates, particularly in the United States, have increased recently to levels not seen in years, and increased inflation may result in increases in our operating costs (including our labor costs), reduced liquidity and limits on our ability to access credit or otherwise raise capital. In addition, the Federal Reserve has raised, and may again raise, interest rates in response to concerns about inflation, which coupled with reduced government spending and volatility in financial markets may have the effect of further increasing economic uncertainty and heightening these risks.

Actual events involving reduced or limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation as receiver. Although we did not have any cash or cash equivalent balances on deposit with Silicon Valley Bank, uncertainty and liquidity concerns in the broader financial services industry remain and the failure of Silicon Valley Bank and its potential near- and long-term effects on the biotechnology industry and its participants such as our vendors, suppliers, and investors, may also adversely affect our operations and stock price.

We are actively monitoring the effects these disruptions and increasing inflation could have on our operations.

These conditions make it extremely difficult for us to accurately forecast and plan future business activities.

***We depend on our network of independent dealers for our gas-powered boats, face increasing competition for dealers, and have little control over their activities***

A significant portion of our sales of our gas-powered boats are derived from our network of independent dealers. We typically manufacture our gas-powered boats based upon indications of interest received from dealers who are not contractually obligated to purchase any boats. While our dealers typically have purchased all of the boats for which they have provided us with indications of interest, it is possible that a dealer could choose not to purchase boats for which it has provided an indication of interest (e.g., if it were to have reached the credit limit on its floor plan), and as a result we once experienced, and in the future could experience, excess inventory and costs. For the nine months ended September 30, 2023, one individual dealer represented over 10% of the Company's total sales, that dealer representing 20% of total sales. For the nine months ended September 30, 2022, three individual dealers represented over 10% of our sales, and combined they represented 37% of total sales. The loss of a significant dealer could have a material adverse effect on our financial condition and results of operations. The number of dealers supporting our products and the quality of their marketing and servicing efforts are essential to our ability to generate sales. Competition for dealers among other boat manufacturers continues to increase based on the quality, price, value, and availability of the manufacturers' products, the manufacturers' attention to customer service, and the marketing support that the manufacturer provides to the dealers. We face intense competition from other boat manufacturers in attracting and retaining dealers, affecting our ability to attract or retain relationships with qualified and successful dealers. Although our management believes that the quality of our products in the performance sport boat industry should permit us to maintain our relationships with our dealers and our market share position, there can be no assurance that we will be able to maintain or improve our relationships with our dealers or our market share position. In addition, independent dealers in the boating industry have experienced significant consolidation in recent years, which could result in the loss of one or more of our dealers in the future if the surviving entity in any such consolidation purchases similar products from a competitor. A substantial deterioration in the number of dealers or the quality of our network of dealers would have a material adverse effect on our business, financial condition, and results of operations.

***The loss of one or a few dealers could have a material adverse effect on us.***

A few dealers have in the past, and may in the future, account for a significant portion of our revenues in any one year or over a period of several consecutive years. For example, for the nine months ended September 30, 2023, one individual dealer represented over 10% of the Company's total sales, that dealer representing 20% of total sales. For the nine months ended September 30, 2022, three individual dealers represented over 10% of our sales, and combined they represented 37% of total sales. The loss of business from a significant dealer could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Forza's planned fully electric sport boat has not yet been developed, and even if developed, interest in it may not develop.***

Forza has completed the design and is testing its first monohull sport boat. There can be no assurance that Forza will be able to complete testing of their product when anticipated, if at all, that we will be able to mass produce the electric boats or that the anticipated features or services to be included in the electric boat will create substantial interest or a market, and therefore Forza's anticipated product, its sales and growth for our product may not develop as expected, or at all. For example, in May 2021 we experienced a small fire in connection with the sea trial of a prototype of our electric boat which resulted in a six-month delay in our design timetable as we implemented changes to the design for outboard electric motor system as a result of the fire. We cannot guarantee that similar events will not occur in the future, or that we will be able to contain such events without damage or delay. Even if such a market for the electric sport boat develops, there can be no assurance that Forza would be able to maintain that market.

Forza's operations to date have been primarily limited to finalizing the design and engineering of its electric sport boat as well as organizing and staffing Forza in preparation for launching the electric boat. As such, Forza has not yet demonstrated, and the success of Forza is wholly dependent upon, its ability to commercialize its products. The successful commercialization of any products will require us to perform a variety of functions, including:

- completing the design and testing for the electric sport boat and Forza's proprietary outboard electric motor;
- manufacturing the electric sport boats;
- developing a vertically integrated direct-to-consumer distribution system; and
- conducting sales and marketing activities.

Forza cannot be certain that its business strategy for its electric-powered boats will be successful or that we will successfully address these risks. In the event that we do not successfully address these risks, our business, prospects, financial condition, and results of operations could be materially and adversely affected, and Forza may not have the resources to continue or expand the business operations of its electric-powered boats business.

***Forza may not receive the anticipated grant funding***

On July 28, 2022, Forza received notice that the North Carolina Economic investment committee has approved the JDIG providing for reimbursement to us of up to \$1,367,100 over a twelve-year period to establish a new manufacturing plant in McDowell County, North Carolina. The receipt of grant funding is conditioned upon us investing over \$10.5 million in land, buildings and fixtures, infrastructure and machinery and equipment by the end of 2025 and us creating as many as 170 jobs. Forza is currently in negotiations for a new site to build the Forza factory in North Carolina. There can be no assurance that the negotiations will be successful. If unsuccessful, it will not meet the conditions necessary to receive the grant funding and will be subject to the limited capacity at the Twin Vee factory that Twin Vee allows Forza, in its discretion, to use. There can be no assurance that Forza will meet the conditions necessary to receive the grant funding. Forza is currently in negotiations for a new site to build the Forza factory in North Carolina. There can be no assurance that the negotiations will be successful.

***We have identified weaknesses in our internal controls, and we cannot provide assurances that these weaknesses will be effectively remediated or that additional material weaknesses will not occur in the future.***

As a public company, we will be subject to the reporting requirements of the Exchange Act, and the Sarbanes-Oxley Act. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly, and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures, and internal control over financial reporting.

As of September 30, 2023, we do not yet have effective disclosure controls and procedures, or internal controls over all aspects of our financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and in accordance with GAAP. Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. We will be required to expend time and resources to further improve our internal controls over financial reporting, including by expanding our staff. However, we cannot assure you that our internal control over financial reporting, as modified, will enable us to identify or avoid material weaknesses in the future.

We will be required to expend time and resources to further improve our internal controls over financial reporting, including by expanding our staff. However, we cannot assure you that our internal control over financial reporting, as modified, will enable us to identify or avoid material weaknesses in the future.

We are in the process of hiring additional staff and providing them with the required training, we continue to engage outside consultants with appropriate experience in GAAP presentation, especially of complex instruments, to devise and implement effective disclosure controls and procedures, or internal controls. We will be required to spend time and resources hiring and engaging additional staff and outside consultants with the appropriate experience to remedy these weaknesses. We cannot assure you that management will be successful in locating and retaining appropriate candidates; that newly engaged staff or outside consultants will be successful in remedying material weaknesses thus far identified or identifying material weaknesses in the future; or that appropriate candidates will be located and retained prior to these deficiencies resulting in material and adverse effects on our business.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business, including increased complexity resulting from our international expansion. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of management reports and independent registered public accounting firm audits of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures, and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the market price of our common stock.

Our independent registered public accounting firm is not required to audit the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results and cause a decline in the market price of our common stock.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES.**

**(a) Unregistered Sales of Equity Securities.**

None.

**(b) Use of Proceeds.**

On July 23, 2021, we closed our initial public offering pursuant to which we offered and sold 3,000,000 shares of our common stock at an offering price of \$6.00 per share (for aggregate gross proceeds of \$18,000,000), pursuant to our Registration Statement on Form S-1 (as amended) (File No. 333-255134), which was declared effective by the SEC on July 20, 2021, as amended by the Registration Statement on Form S-1 MEF (File No. 333-258058) filed with the SEC on July 20, 2021 and effective as of the date of filing. After deducting underwriting discounts and commissions of approximately \$1,260,000, and other offering expenses payable by us of approximately \$1,567,150, we received approximately \$15,849,037 in net proceeds from our initial public offering. ThinkEquity LLC acted as the representative of the several underwriters for the offering. We also granted a 45-day option to the representative of the underwriters to purchase up to 450,000 additional shares of common stock solely to cover over-allotments, if any, which expired unexercised.

At the time of the initial public offering, the primary use of the net proceeds was as follows: (i) approximately \$1,500,000 for production and marketing of our larger fully equipped boats; (ii) approximately \$2,500,000 for the design, development, testing, manufacturing and marketing of our new line of electric boats; (iii) approximately \$6,000,000 for the design, development, testing, manufacturing and marketing of our fully electric propulsion system; (iv) approximately \$3,500,000 for acquisition of waterfront property and development of the Electra Power Sports- EV Innovation & Testing Center, in Fort Pierce, Florida to build, design and manufacture our electric propulsion systems; and (v) the balance for working capital.

It was originally anticipated that we would retrofit a gas-powered boat with an electric motor that would be designed by us and that we would also sell the motors to other third-party boat manufacturers to retrofit their boats. The retrofitting would require extensive development, testing and manufacturing of multiple variations of electric motors. However, consumer preference in the electric marine market was and is trending towards a single purchase of a fully integrated electric boat rather than a retrofitted existing gas and diesel fuel powered boat with electric outboard motors and battery packs. Therefore, we decided not to continue designing electric motors for retrofitting, resulting in us no longer needing any funding for the design, development, testing, manufacturing and marketing of our fully electric propulsion system and instead those funds are anticipated to be used for working capital needs.

Further, we originally anticipated that we would acquire waterfront property for a testing center in Fort Pierce, the price of real estate in Florida has prohibited us from moving forward. Therefore, we decided to use the \$3,500,000 of funds to build additional manufacturing space at our Fort Pierce location.

The remaining planned use of proceeds has not changed since the initial public offering.

**(c) Issuer Purchases of Equity Securities.**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not Applicable.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not Applicable.

**ITEM 5. OTHER INFORMATION.**

None.



## ITEM 6. EXHIBITS.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index. The Exhibit Index is incorporated herein by reference.

### EXHIBIT INDEX

Exhibit No.	Description
2.1	<a href="#">Agreement and Plan of Merger, dated September 8, 2022, by and between Twin Vee PowerCats Co. and Twin Vee PowerCats, Inc. (Incorporated by reference to the Exhibit 2.1 to the Company's Form 8-K, File No. 001-40623, filed with the Securities and Exchange Commission on September 9, 2022)</a>
2.2	<a href="#">Form of Support Agreement, by and between Twin Vee PowerCats Co. and Twin Vee PowerCats, Inc.'s directors, officers and certain stockholders (Incorporated by reference to the Exhibit 2.2 to the Company's Form 8-K, File No. 001-40623, filed with the Securities and Exchange Commission on September 9, 2022)</a>
3.1	<a href="#">Articles of Incorporation filed with the Secretary of State of the State of Florida, dated December 1, 2009 (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 with the Securities and Exchange Commission on April 8, 2021 (File No. 333-255134))</a>
3.2	<a href="#">Articles of Amendment to the Articles of Incorporation, filed with the Secretary of State of the State of Florida on January 22, 2016 (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 with the Securities and Exchange Commission on April 8, 2021 (File No. 333-255134))</a>
3.3	<a href="#">Articles of Amendment to the Articles of Incorporation, filed with the Secretary of State of the State of Florida on April 12, 2016 (incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-1 with the Securities and Exchange Commission on April 8, 2021 (File No. 333-255134))</a>
3.4	<a href="#">Article of Conversion filed with the Secretary of State of the State of Florida, dated April 7, 2021 (incorporated by reference to Exhibit 3.4 to the Registration Statement on Form S-1 with the Securities and Exchange Commission on April 8, 2021 (File No. 333-255134))</a>
3.5	<a href="#">Certificate of Conversion filed with the Secretary of State of the State of Delaware on April 7, 2021 (incorporated by reference to Exhibit 3.5 to the Registration Statement on Form S-1 with the Securities and Exchange Commission on April 8, 2021 (File No. 333-255134))</a>
3.6	<a href="#">Certificate of Incorporation filed with the Secretary of State of the State of Delaware on April 7, 2021 (incorporated by reference to Exhibit 3.6 to the Registration Statement on Form S-1 with the Securities and Exchange Commission on April 8, 2021 (File No. 333-255134))</a>
3.7	<a href="#">Bylaws (incorporated by reference to Exhibit 3.7 to the Registration Statement on Form S-1 with the Securities and Exchange Commission on April 8, 2021 (File No. 333-255134))</a>
31.1*	<a href="#">Certification by principal executive officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification by principal financial officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certification by principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certification by principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	InlineXBRL Instance Document
101.SCH*	InlineXBRL Taxonomy Extension Schema Document
101.CAL*	InlineXBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	InlineXBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	InlineXBRL Taxonomy Extension Label Linkbase Document
101.PRE*	InlineXBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the inline XBRL document)
*	Filed herewith.

**SIGNATURES**

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

**TWIN VEE POWERCATS CO.**

Date: November 14, 2023

By: /s/ Joseph C. Visconti  
Joseph C. Visconti  
*Chairman and Chief Executive Officer*  
*(Principal Executive Officer)*

Date: November 14, 2023

By: /s/ Carrie Gunnerson  
Carrie Gunnerson  
*Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph C. Visconti, certify that:

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

Date: November 14, 2023

By: /s/ Joseph C. Visconti  
Name: Joseph C. Visconti  
Title: Chairman and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Carrie Gunnerson, certify that:

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

Date: November 14, 2023

By: /s/ Carrie Gunnerson

Name: Carrie Gunnerson  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Twin Vee PowerCats Co. (the "Registrant") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph C. Visconti, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 14, 2023

By: /s/ Joseph C. Visconti

Name: Joseph C. Visconti

Title: Chairman and Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Twin Vee PowerCats Co. (the "Registrant") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carrie Gunnerson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 14, 2023

By: /s/ Carrie Gunnerson

Name: Carrie Gunnerson

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

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