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 March 31, 2024**

**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: 001-41469**

# FORZA X1, INC.

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

| | |
|---|---|
| **Delaware** | **87-3159685** |
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
| **3101 S. US-1 Ft. Pierce, Florida** | **34982** |
| *(Address of principal executive offices)* | *(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 | FRZA | 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 | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☒ |

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

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

As of May 15, 2024, there were 15,762,750 shares of Common Stock, $0.001 par value per share, outstanding.

**FORZA X1, INC.**
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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, "Forza," "the Company," "we" and "our" refer to Forza X1, Inc.

**FORZA X1, INC.**
**Condensed Balance Sheets**
**(Unaudited)**

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 9,952,749 | $ 9,821,531 |
| Marketable securities - available for sale | — | 2,981,720 |
| Inventories, net | 403,625 | 493,460 |
| Prepaid expenses and other current assets | 129,544 | 73,508 |
| Total Current Assets | 10,485,918 | 13,370,219 |
| | | |
| Operating lease right of use asset | 52,869 | 75,147 |
| Security deposit | 7,517 | 7,517 |
| Property and equipment, net | 4,984,208 | 3,468,961 |
| **Total Assets** | $ 15,530,512 | $ 16,921,844 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Accounts payable | $ 34,274 | $ 86,820 |
| Accrued liabilities | 72,778 | 462,381 |
| Due to affiliated companies | 122,322 | 201,848 |
| Finance leases - current portion | 25,230 | 17,313 |
| Operating lease right of use liability | 45,916 | 68,532 |
| Contract liabilities - customer deposits | 5,700 | 5,700 |
| Total Current Liabilities | 306,220 | 842,594 |
| | | |
| Finance leases - noncurrent | 78,455 | 58,717 |
| Total Liabilities | 384,675 | 901,311 |
| | | |
| Commitments (Note 8) | | |
| | | |
| Stockholders' Equity: | | |
| Common stock: 100,000,000 authorized; $0.001 par value; 15,784,000 shares issued and 15,754,774 shares outstanding at March 31, 2024 and December 31, 2023 | 15,784 | 15,784 |
| Treasury stock, at cost, 29,226 | (21,379) | (21,379) |
| Additional paid in capital | 26,340,014 | 26,046,873 |
| Accumulated deficit | (11,188,582) | (10,020,745) |
| Total Stockholders' Equity | 15,145,837 | 16,020,533 |
| | | |
| **Total Liabilities and Stockholders' Equity** | $ 15,530,512 | $ 16,921,844 |

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

**FORZA X1, INC.**
**Condensed Statements of Operations**
**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Net sales | $ — | $ — |
| Cost of sales | 29,572 | 49,941 |
| Gross loss | (29,572) | (49,941) |
| | | |
| **Operating expenses:** | | |
| Selling, general and administrative | 277,052 | 354,662 |
| Salaries and wages | 690,543 | 862,764 |
| Research and development | 169,198 | 702,648 |
| Professional fees | 93,029 | 124,040 |
| Depreciation | 55,945 | 35,696 |
| Total operating expenses | 1,285,767 | 2,079,810 |
| | | |
| Loss from operations | (1,315,339) | (2,129,751) |
| | | |
| **Other income (expense):** | | |
| Interest expense | (3,125) | (291) |
| Dividend income | 132,347 | 124,910 |
| Unrealized loss on marketable securities | (16,930) | — |
| Realized gain on marketable securities | 35,210 | — |
| Total other income | 147,502 | 124,619 |
| | | |
| Income before income tax | (1,167,837) | (2,005,132) |
| Income taxes provision | | |
| **Net loss** | $ (1,167,837) | $ (2,005,132) |
| | | |
| Basic and diluted loss per common share | $ (0.07) | $ (0.19) |
| | | |
| Weighted average common shares outstanding basic and diluted | 15,754,774 | 10,450,000 |

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

**FORZA X1, INC.**
**Condensed Statements of Stockholders' Equity**
**(Unaudited)**

**For the Three Months Ended March 31, 2024 and 2023**

| | Common Stock | | Treasury | Additional Paid-in | (Accumulated | Total Stockholders' |
|---|---|---|---|---|---|---|
| | Shares | Amount | Stock | Capital | Deficit) | Equity |
| **Balance, January 1, 2023** | 10,450,000 | $ 10,450 | — | $ 17,777,385 | $ (4,087,632) | $ 13,700,203 |
| Stock-based compensation | — | — | — | 341,163 | — | 341,163 |
| Net loss | — | — | — | — | (2,005,132) | (2,005,132) |
| **Balance, March 31, 2023** | 10,450,000 | $ 10,450 | — | 18,118,548 | $ (6,092,764) | $ 12,036,234 |
| | | | | | | |
| **Balance, January 1, 2024** | 15,754,774 | $ 15,784 | (21,379) | $ 26,046,873 | $ (10,020,745) | $ 16,020,533 |
| Stock-based compensation | — | — | — | 293,141 | — | 293,141 |
| Net loss | — | — | — | — | (1,167,837) | (1,167,837) |
| **Balance, March 31, 2024** | 15,754,774 | $ 15,784 | $ (21,379) | $ 26,340,014 | $ (11,188,582) | $ 15,145,837 |

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

**FORZA X1, INC.**
**Condensed Statements of Cash Flows**
**(Unaudited)**

| | Three Months Ended | |
|---|---|---|
| | **March 31, 2024** | **March 31, 2023** |
| **Cash Flows From Operating Activities** | | |
| Net loss | $ (1,167,837) | $ (2,005,132) |
| Adjustments to reconcile net loss: | | |
| Depreciation | 55,945 | 35,696 |
| Change in fair value of marketable securities, available for sale | 16,930 | — |
| Stock based compensation | 293,141 | 341,163 |
| Change of right-of-use asset | 22,278 | 21,411 |
| Change in inventory reserve | 113,252 | — |
| Inventories | (23,417) | (42,829) |
| Prepaid expenses and other current assets | (56,036) | 152,752 |
| Accounts payable | (52,546) | (49,473) |
| Accrued liabilities | (389,603) | (15,598) |
| Operating lease liabilities | (22,616) | (21,072) |
| Contract liabilities - customer deposits | — | 500 |
| Net cash used in operating activities | (1,210,509) | (1,582,582) |
| **Cash Flows From Investing Activities** | | |
| Net redemptions of investment in trading marketable securities | 3,000,000 | — |
| Realized gain on sale of marketable securities, available for sale | (35,210) | — |
| Purchase of property and equipment | (1,539,620) | (199,559) |
| Net cash provided by (used in) investing activities | 1,425,170 | (199,559) |
| **Cash Flows From Financing Activities** | | |
| Repayments of finance lease | (3,917) | (2,836) |
| Repayments of advances from affiliates | (274,728) | (409,505) |
| Advances from affiliates | 195,202 | 110,283 |
| Net cash used in financing activities | (83,443) | (302,058) |
| Net change in cash and cash equivalents | 131,218 | (2,084,199) |
| Cash and cash equivalents at beginning of period | 9,821,531 | 12,767,199 |
| Cash and cash equivalents at end of year period | $ 9,952,749 | $ 10,683,000 |
| **Supplemental Cash Flow Information** | | |
| Cash paid for interest | $ 3,125 | $ 291 |
| **Non Cash Investing and Financing Activities** | | |
| Right of use asset - finance leases | $ 31,572 | $ 92,405 |

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

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

***Organization***

Forza X1, Inc. (“Forza” or the “Company”) was initially incorporated as Electra Power Sports, Inc. on October 15, 2021, but subsequently changed its name to Forza X1, Inc. on October 29, 2021. The Company’s parent company was incorporated in the State of Florida as Twin Vee Catamarans, Inc. on December 1, 2009, and reincorporated in Delaware on April 7, 2021, as Twin Vee PowerCats Co. (“Twin Vee”).

**Basis of Presentation**

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim condensed financial statements and with the instructions to Quarterly Report on 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 financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of March 31, 2024 and the results of operations and cash flows for the periods presented. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the operating results for the full fiscal year or any future period. These unaudited condensed financial statements should be read in conjunction with the financial statements and related notes thereto for the year ended December 31, 2023 included in the Company’s Annual Report on Form 10-K filed with the SEC on March 27, 2024.

**Revenue Recognition**

The Company recognizes revenue when obligations under the terms of a contract are satisfied and control over promised goods is transferred to the dealer. Revenue is measured as the amount of consideration it expects to receive in exchange for a product.

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 each of March 31, 2024 and December 31, 2023, the Company had customer deposits of $5,700 which is recorded as contract liabilities on the condensed balance sheets. These deposits are not expected to be recognized as revenue within a one-year period.

**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 useful life of fixed assets.

**Cash and Cash Equivalents**

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less at the time of the purchase. On March 31, 2024 and December 31, 2023, the Company had cash and cash equivalents of $9,952,749 and $9,821,531, respectively.

**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.

**Concentrations of Credit and Business Risk**

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. At March 31, 2024 and December 31, 2023, the Company had $9,699,907 and $9,557,799, respectively, in excess of FDIC insured limits.

**Inventories**

Inventories, which are raw materials for upcoming production, are valued at the lower of cost and net realizable value, with cost determined using the weighted average cost method using a first-in, first-out basis. 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 Goods Sold. Provisions have been made to reduce excess or obsolete inventories to their net realizable value. Provisions for excess and obsolete inventories at March 31, 2024 and December 31, 2023, were $464,410 and $351,158, respectively.

**2. Liquidity**

As of March 31, 2024, the Company had cash and cash equivalents and working capital of $9,952,749 and $10,179,698, respectively, compared to $9,821,531 and $12,527,625, respectively, on December 31, 2023. On June 12, 2023 the Company completed a public offering that closed on June 14, 2023, which increased its cash by $6,929,552. For the three months ended March 31, 2024 and 2023, the Company incurred a net loss of $1,167,837 and 2,005,132, respectively. Losses have principally occurred as a result of the research and development efforts coupled with no operating revenue.

The Company has no current source of revenue and may seek additional equity and/or debt financing. A successful transition to attaining profitable operations is dependent upon achieving a level of positive cash flows adequate to support the Company's cost structure.

**3. Marketable Securities**

As of March 31, 2024, the company had no 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.

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | **Amortized Cost** | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Fair Value** |
| **Marketable Securities** | | | | |
| Corporate Bonds | $ 2,930,842.00 | $ 50,878 | $ — | $ 2,981,720 |
| Total marketable securities | $ 2,930,842.00 | $ 50,878 | $ — | $ 2,981,720 |

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

| | | Fair Value Based On | | |
|---|---|---|---|---|
| | Balance as of December 31, 2023 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Non-observable Inputs (Level 3) |
| **Marketable Securities:** | | | | |
| Corporate Bonds | 2,981,720 | — | $ 2,981,720 | — |
| Total Marketable Securities | $ 2,981,720 | $ — | $ 2,981,720 | $ — |

The Company's investments in corporate bonds are measured based on quotes from market makers for similar items in active markets.

**4. Property and Equipment**

At March 31, 2024 and December 31, 2023, property and equipment consisted of the following:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Building - construction in progress | 3,883,074 | 2,347,966 |
| Land | 119,758 | 119,758 |
| Equipment | 360,501 | 325,377 |
| Computer hardware and software | 51,587 | 50,626 |
| Software and website development | 90,396 | 90,396 |
| Furniture and fixtures | 3,482 | 3,483 |
| Vehicles | 48,825 | 48,825 |
| Prototype | 142,526 | 142,526 |
| Molds and Fixtures | 574,416 | 574,416 |
| | 5,274,565 | 3,703,373 |
| Less accumulated depreciation | (290,357) | (234,412) |
| | $ 4,984,208 | $ 3,468,961 |

For the three months ended March 31, 2024 and 2023, Depreciation Expense was $55,945 and $35,696, respectively.

**5. 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. We used the U.S. Treasury rate of 0.33% at December 31, 2022.

The Company leases a warehouse facility, and the land upon which the warehouse is located 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 $7,715 per month including property taxes, insurance, and common area maintenance. The lease required a $7,517 security deposit.

At March 31, 2024 and December 31, 2023, supplemental balance sheet information related to leases were as follows:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Operating lease ROU asset | $ 52,869 | $ 75,147 |
| Operating lease liabilities: | | |
| Current portion | $ 45,916 | $ 68,532 |
| | $ 45,916 | $ 68,532 |

At March 31, 2024, future minimum lease payments under the non-cancelable operating leases are as follows:

| | |
|---|---|
| 2024 (excluding the first three months ended March 31, 2024) | 46,453 |
| Total lease payment | $ 46,453 |
| Total imputed interest | (537) |
| Total | $ 45,916 |

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

| | March 31, 2024 |
|---|---|
| Weighted average discount rate | 4% |
| Weighted average remaining lease term (years) | 0.46 |

**6. Finance Leases**

The Company has finance leases for a vehicle and two forklifts. The Company entered into the vehicle lease in February of 2023, with a recorded value of $48,826 in net property and equipment. It is a 60-month lease at a 3.0% interest rate. The Company entered into the forklift lease in January of 2023, with a recorded value of $43,579 in net property and equipment. It is a 60-month lease at a 7.5% interest rate. The Company assumed a forklift lease in March of 2024, with a recorded value of $33,393. It is a 60-month lease at a 5.0% interest rate. At March 31, 2024,the current and non-current portions of the lease liability were $25,230 and $78,455 respectively.

At March 31, 2024, future minimum payments under the non-cancelable finance leases are as follows:

Years Ending December 31,

| | | |
|---|---|---|
| 2024 (excluding the three months ended March 31, 2024) | $ | 21,698 |
| 2025 | | 28,931 |
| 2026 | | 28,931 |
| 2027 | | 28,051 |
| 2028 | | 4,655 |
| Total lease payment | $ | 112,268 |
| Total Imputed interest | | (8,582) |
| Total | $ | 103,685 |

**7. Related Party Transactions**

As of March 31, 2024 and December 31, 2023, the Company had a current liability of $122,322 and $201,848 respectively, due to affiliated companies.

During the three months ended March 31, 2024 and 2023, the Company repaid advancements from affiliated companies of $274,728 and $409,505, respectively, and had advancements from affiliated companies of $195,202 and $110,283, respectively.

Associated with amounts advanced and due to Twin Vee, for the three months ended March 31, 2024 and 2023, the Company recorded interest expense of $1,543 and $426, respectively, based on a rate of 6% interest on the Company's average monthly balance.

Pursuant to a management agreement dated September 2022, for various management services, the Company paid $6,800 monthly thereafter for management fee associated with the use of shared management resources. The September 2022 agreement expired on August 31, 2023, and was renewed for another year under the same terms. A subsequent management agreement dates April 8, 2024, for various management services, the Company, pays a variable rate for services rendered. For the three months ended March 31, 2024 and 2023, the Company recorded management fees of $140,011 and $20,400, respectively, pursuant to this management agreement.

For the three months ended March 31, 2024 and 2023, the Company recorded rent expense of approximately $0 and $10,200, respectively, associated with its month- to- month arrangement to utilize certain space at Twin Vee's facility. The Company's use of Twin Vee's facilities does vary based on the number of prototype units on property and in process. The Company's corporate headquarters are located at Twin Vee's location; however, a number of its employees and consultants work remotely.

In August of 2022, the Company 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 Company's then president, James Leffew, purchased the property, and the Company executed a new lease agreement with Mr. Leffew on the same month-to-month terms. For the three months ended March 31, 2024 and 2023, the lease expense was $7,500 and $7,500, respectively.

**8. Accrued Expenses**

At March 31, 2024 and December 31, 2023, accrued liabilities consisted of the following:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Accrued wages and benefits | $ 19,590 | 59,177 |
| Accrued operating expenses | 53,188 | 403,204 |
| | $ 72,778 | $ 462,381 |

**9. Commitments and Contingencies**

*Litigation*

The Company is currently involved in civil litigation in the normal course of business, the Company does not consider this to be material.

**10. Stockholders' Equity**

***Common Stock Warrants***

The Company 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 the Company's IPO. The Company 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 the Company'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 three months ended March 31, 2024.

***Equity Compensation Plan***

The Company maintains an equity compensation plan (the "Plan") under which it may award employees, directors and consultants' incentive and nonqualified 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 automatically increased on January 1, 2023 and January 1, 2024. As of March 31, 2024, there were 789,297 shares remaining available for grant under this Plan. Stock based compensation expense is included in the Condensed Statements of Operations, under salaries and wages.

**Accounting for Stock -Based Compensation**

***Stock Compensation Expense*** - For the three months ended March 31, 2024 and 2023, the Company recorded $293,141 and $341,163, respectively, of stock-based compensation expense which is included in salaries and wages on the accompanying condensed statement of operations

***Forza's 2022 Stock Incentive Plan (the "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 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 three months ended March 31, 2024:

| | Three months ended March 31, 2024 |
|---|---|
| Expected term | 5 years |
| Expected average volatility | 108-113% |
| Expected dividend yield | — |
| Risk-free interest rate | 2.98 - 4.72% |

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 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Remaining life (years) | Grant Date Fair value of option |
| Outstanding, December 31, 2022 | 1,441,500 | 3.41 | 0.05 | $ 4,009,913 |
| Granted | 518,000 | 0.70 | 9.76 | 287,835 |
| Exercised | — | — | | |
| Forfeited/canceled | (69,583) | 1.24 | 9.62 | (40,248) |
| Outstanding, December 31, 2023 | 1,889,917 | 2.75 | 9.36 | $ 4,257,500 |
| Granted | — | — | 0 | |
| Exercised | — | — | 0 | |
| Forfeited/canceled | (396,843) | 1.66 | 8.98 | (69,413) |
| Outstanding, Mach 31, 2024 | 1,493,074 | 2.75 | 8.78 | $ 4,188,087 |
| | | | | |
| Exercisable options, March 31, 2024 | 748,750 | 3.48 | 8.58 | |

**11. Subsequent Events**

On April 9, 2024, the Board of Directors of Forza X1, Inc. (the "Company") appointed Michael P. Dickerson to serve as Interim Chief Financial & Administrative Officer of the Company.

The Company has evaluated all events or transactions that occurred after March 31, 2024 and 2023 through May 15, 2024, which is the date that the condensed financial statements were available to be issued. During this period, there were no additional material subsequent events.

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. This discussion may contain 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 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, 2023 filed with the SEC on March 27, 2024 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 were founded with a mission to inspire the adoption of sustainable recreational boating by producing stylish electric sport boats designed to offer a cleaner, quieter, and more efficient alternative to traditional gasoline-powered boats. We have been focused on the creation, implementation and sale of electric boats utilizing our electric vehicle ("EV") technology to control and power our boats and proprietary outboard electric motor.

We have not completed the development of our electric boats or electric outboard motor. Three different protypes of the electric boat have been built. We have completed the design phase of our outboard motor and it is now in the prototype phase.

**Industry Trends**

The past year has seen a marked deceleration in the global demand for recreational marine vehicles, influenced heavily by economic uncertainties and shifting consumer priorities. This slowdown reflects broader trends affecting the recreational vehicle industries at large, including electric vehicles (EVs). Notably, the global shift towards EV adoption has been much slower than initially anticipated. Several leading automotive manufacturers have adjusted their strategies, accordingly, including halting the construction of dedicated EV factories.

The slower-than-expected adoption rates have led to cautious consumer spending and investment in EV technology, directly impacting the Company's market. Specifically, the electric boat segment has experienced even more sluggish growth than the automotive sector. In addition, while Forza's electric boats are still in the development stage, many of the larger players in the boat industry, such as Mercury Marine, have completed their development efforts and have brought their electric outboard motors to market.

Despite these challenges, we have managed to sustain operations through strategic adjustments, including cost management and a focus on strategic partnerships. We have implemented measures that have reduced cash burn and conserved cash reserves while seeking to leverage our technological advancements through strategic collaborations and partnerships to enhance shareholder value. We have responded to the industry challenges by tightening our financial reins to mitigate the impacts of reduced demand with a view toward long-term sustainability.

The Company is enacting the following key measures:

1. Capital Expenditure Reduction: With the exception of our new facility, capital expenditures have been significantly curtailed, focusing only on essential maintenance and strategically critical projects. Non-essential development has been postponed or re-evaluated based on stringent ROI analyses.

2. Workforce Optimization: Although a difficult decision, we have optimized our workforce to align with current production needs and financial realities. This includes a temporary freeze on hiring and, regrettably, reductions in areas where the workload has decreased. These measures are designed to preserve as many jobs as possible while maintaining financial viability.

3. Expense Management: We are scrutinizing all expenses, from administrative to marketing, ensuring that only those that are essential and offer clear value are maintained or increased. This has also involved renegotiating contracts and seeking better terms from suppliers to reduce costs without compromising quality.

Through these focused financial strategies and strategic partnerships, we aim to not only navigate the current market challenges but also set the stage for future growth and success. Our commitment to innovation, sustainability, and shareholder value guides our every decision.

**Recent Developments**

On January 11, Forza X1 announced a collaboration with Twin Vee and Avikus' NeuBoat to advance the recreational sport boating market by harnessing the power of A.I., sensor fusion, and machine learning to provide a new level of safety, convenience, and confidence to both new and experienced boaters. Avikus' NeuBoat technology will bring the innovations experienced in the automotive sector to the recreational marine market, such as 360-degree situational awareness, 3D cluster views, advanced route planning, "smart" autopilot navigation that can identify objects and avoid potential collisions, and most importantly, autonomous self-docking capability. These enhancements are expected to attract the next generation of boaters to the market and aid existing boaters with navigation and docking.

On March 4, 2024, Carrie Gunnerson, the Interim Chief Financial Officer of Forza X1, Inc. (the "Company"), notified the Company of her decision to resign, effective May 31, 2024, from her position as the Company's Interim Chief Financial Officer to pursue another opportunity. Ms. Gunnerson informed the Company that she will support and ensure a smooth transition. Ms. Gunnerson did not advise the Company of any disagreement with the Company on any matter relating to its operations, policies or practices.

On March 6, 2024, James Leffew, the Chief Executive Officer of the Company, notified the Company of his decision to resign, effective immediately, from his position as the Company's Chief Executive Officer and from the Board of Directors. Mr. Leffew informed the Company that he will support and ensure a smooth transition. Mr. Leffew did not advise the Company of any disagreement with the Company on any matter relating to its operations, policies or practices.

On March 12, 2024, the Company appointed Joseph Visconti as its Interim Chief Executive Officer and Dan Norton as its President.

On April 9, 2024, the Board of Directors of the Company appointed Michael P. Dickerson to serve as Interim Chief Financial & Administrative Officer of the Company.

**Results of Operations**

***Comparison of the Three Months Ended March 31, 2024 and 2023***

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

| | March 31, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change | % Change |
| Cost of sales | $ 29,572 | $ 49,941 | $ (20,369) | (41%) |
| Gross loss | $ (29,572) | $ (49,941) | $ 20,369 | (41%) |
| Operating expenses | $ 1,285,767 | $ 2,079,810 | $ (794,043) | (38%) |
| Loss from operations | $ (1,315,339) | $ (2,129,751) | $ 814,412 | (38%) |
| Other income | $ 147,502 | $ 124,619 | $ 22,883 | 18% |
| Net loss | $ (1,167,837) | $ (2,005,132) | $ 837,295 | (42%) |
| Net loss per common share: Basic and Diluted | $ (0.07) | $ (0.19) | $ 0.12 | (61%) |
| Weighted average number of shares of common stock outstanding | 15,754,774 | 10,450,000 | 5,304,774 | |

**Operating Expenses**

Operating expenses for the three months ended March 31, 2024 decreased by $794,043 to $1,285,767 as compared to $2,079,810 for the three months ended March 31, 2023. Operating expenses include salaries, selling, general, and administrative, research and development, professional fees, and depreciation. Research and development costs for the three months ended March 31, 2024 were $169,198, as compared to $702,648 for the three months ended March 31, 2023. Our research and development expenses declined for the quarter, due to large expenditures in the first quarter of 2023 when we were in the early stages of development of our prototype electric motors and control systems. Salaries and wages for the three months ended March 31, 2024 were $690,543, as compared to $862,764 for the three months ended March 31, 2023, and were primarily related to reductions in staffing in engineering and design. For the three months ended March 31, 2024, salaries and wages included $293,141 of stock option expense, as compared to $341,163 for the three months ended March 31, 2023. Our expenses for selling, general, and administrative for the three months ended March 31, 2024, were $277,052, as compared to $354,662 for the three months ended March 31, 2023. Professional fees for the three months ended March 31, 2024 were $93,029, as compared to $124,040 for the three months ended March 31, 2023, primarily resulting from lower legal and accounting fees. Depreciation and amortization for the three months ended March 31, 2024 was $55,945, as compared to $35,696 for the three months ended March 31, 2023, the increase being attributable to the ongoing addition of equipment and tooling.

**Other expense and income**

Interest expense was $3,125 and $291, respectively for the three months ended March 31, 2024 and 2023.

Because the proceeds from our IPO and secondary offering are partly invested in money market vehicles, those monies earn dividend income, interest income, and capital gains. Dividend and interest income was $132,347 and $124,910, respectively, for the three months ended March 31, 2024 and 2023. Net realized and unrealized gains were $18,280 and zero, respectively, for the three months ended March 31, 2024 and 2023.

**Liquidity and Capital Resources**

The following table provide selected financial data as of March 31, 2024 and December 31, 2023:

| | March 31, 2024 | December 31, 2023 | Change | % Change |
|---|---|---|---|---|
| Cash and cash equivalents | $ 9,952,749 | $ 9,821,531 | $ 131,218 | 1.3% |
| Current assets | $ 10,485,918 | $ 13,370,219 | $ (2,884,301) | (21.6%) |
| Current liabilities | $ 306,220 | $ 842,594 | $ (536,374) | (63.7%) |
| Working capital | $ 10,179,698 | $ 12,527,625 | $ (2,347,927) | (18.7%) |

As of March 31, 2024, we had cash and cash equivalents, and working capital of $9,952,749 and $10,179,698, respectively, compared to $9,821,531 and $12,527,625, respectively, on December 31, 2023. We have incurred and expect to continue to incur significant costs in pursuit of our construction of our new manufacturing facility which we have been financing. Our management plans to use the proceeds from the IPO and the secondary offering to finance these expenses. We believe that our current capital resources will be sufficient to fund our operations and development initiative until we start selling electric boat and electric propulsion systems, and that our current capital resources will be sufficient for another 15 months following the date of this Quarterly Report on Form 10-Q. The Company expects to continue to incur net losses, and to have significant cash outflows for at least the next 12 months.

**Cash Flow from Operating Activities**

During the three months ending March 31, 2024 and 2023, we generated negative cash flows from operating activities of $1,210,509 and $1,582,582, respectively. During the three months ending March 31, 2024, our cash used in operating activities was primarily a result of operating losses incurred and a reduction in accrued liabilities since December 31, 2023.

**Cash Flows from Investing Activities**

For the three months ended March 31, 2024 net cash provided by investing activities was $1,425,170 resulting from redemptions of marketable securities more than offsetting the purchase of property and equipment and building compared to a use of cash for the three months ended March 31, 2023 of $199,559 for the purchase of property and equipment.

**Cash Flows from Financing Activities**

During the three months ended March 31, 2024, net cash used in financing activities was $83,443. During the three months ended March 31, 2023, net cash used in financing activities was $302,058, driven mostly by the repayment of advances from parent.

**Critical Accounting Estimates**

This discussion and analysis of our financial condition and results of operations is based on four financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, that results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimated under different assumptions or conditions. While our significant accounting policies are described in more detail in the notes to our financial statements included elsewhere in the Quarterly Report on Form 10-Q, we believe that the following accounting policies are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving managements judgements and estimates.

**Controls and Procedures**

We are now currently required to maintain an effective system of internal controls as defined by Section 404 of the Sarbanes-Oxley Act. We are only required to comply with the internal control over financial reporting requirements of the Sarbanes-Oxley Act for the twelve-month period ending December 31, 2023. Only in the event that we are deemed to be a large accelerated filer or an accelerated filer, and no longer qualify as an emerging growth company, would we be required to comply with the independent registered public accounting firm attestation requirement. Further, for as long as we remain an emerging growth company as defined in the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirement.

*Revenue Recognition*

The Company recognizes revenue when obligations under the terms of a contract are satisfied and control over promised goods is transferred to the dealer. Revenue is measured as the amount of consideration it expects to receive in exchange for a product.

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 March 31, 2024 and December 31, 2023, the Company had customer deposits of $5,700 and $5,700, respectively, which is recorded as contract liabilities on the Condensed Balance Sheet. These deposits are not expected to be recognized as revenue within a one-year period.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) required 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 useful life of fixed assets.

*Cash and Cash Equivalents*

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less at the time of purchase. On March 31, 2024, the Company had cash and cash equivalents of $9,952,749, and on December 31, 2023, the Company had cash and cash equivalents of $9,821,531.

*Property and Equipment*

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives of property and equipment range from three to seven years. Upon sale or retirement, the cost and related accumulated depreciation and amortization are eliminated from their respective accounts, and the resulting gain or loss is included in the results of operations. Repairs and maintenance expenses, 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.

*Research and Development*

Research and development costs are expensed as incurred. Such costs for the three months ended March 31, 2024 were $169,198, as compared to $702,648 for the three months ended March 31, 2023.

*Advertising Costs*

Advertising and marketing costs are expensed as incurred. Such costs for the three months ended March 31, 2024 were $1,512, as compared to $12,556 for the three months ended March 31, 2023. Advertising and marketing costs are included in selling, general, and administrative expenses in the accompanying statements of operations.

*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.

*Income Taxes*

The Company is a C Corporation under the Internal Revenue Code and a similar section of the state code.

All income tax amounts reflect the use of the liability method under accounting for income taxes. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes arising primarily from differences between financial and tax reporting purposes.

Deferred income taxes, net of appropriate valuation allowances, are determined using the tax rates expected to be in effect when the taxes are actually paid. Valuation allowances are recorded against deferred tax assets when it is more likely than not that such assets will not be realized. When an uncertain tax position meets the more likely than not recognition threshold, the position is measured to determine the amount of benefit or expense to recognize in the financial statements.

In accordance with U.S GAAP, the Company follows the guidance in FASB ASC Topic 740, Accounting for Uncertainty in Income Taxes. At September 30, 2023, the Company does not believe it has any uncertain tax positions that would require either recognition or disclosure in the accompanying financial statements.

The Company's income tax returns are subject to review and examination by federal, state and local governmental authorities.

*Recent Accounting Pronouncements*

All newly issued accounting pronouncements not yet effective have been deemed either immaterial or not applicable.

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 Securities and Exchange Commission 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 interim Chief Executive Officer (Principal Executive Officer) and our interim Chief Financial Officer (Principal Financial Officer), evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2024. 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 SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by 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 March 31, 2024 our interim Chief Executive Officer and our interim Chief Financial Officer concluded that, as of such a date, our disclosure controls and procedures were not effective at the reasonable assurance level, due to the material weaknesses in our internal control over financial reporting, as further described below.

**Previously Reported Material Weakness**

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, we previously identified material weaknesses in our internal control over financial reporting relating to a lack of segregation of duties. A material weakness is a deficiency or combination of deficiencies in our internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our condensed financial statements would not be prevented or detected on a timely basis. These deficiencies could result in additional misstatements to our condensed financial statements that would be material and would not be prevented or detected on a timely basis.

***Remediation Plan***

Management has developed and is executing a remediation plan to address the previously disclosed material weaknesses. We are actively engaged in the remediation of each of the outstanding material weaknesses, to include the retention of a full-time controller and the utilization of outside advisors where appropriate. With their added expertise, we will continue to make improvements in our accounting processes over the coming months. In the third quarter, we also completed the migration of our data into the SAP ByDesign ERP platform, which will aid in the segregation of access and responsibilities, as well as improve our reporting processes.

Additional time is required before we can 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 over which management can conclude, through testing, that these controls are operating effectively.

**Changes in Internal Control over Financial Reporting**

We continue to develop and refine our controls and other procedures that are designed 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. Other than as disclosed as part of our "Remediation Plan" above, there were no changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## 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 and the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2023, together with all the other information in this Quarterly Report on Form 10-Q, including our condensed 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, 2023. 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, 2023.

### RISKS RELATED TO OUR BUSINESS

***There is substantial doubt about our ability to continue as a going concern. Our independent registered public accounting firm has expressed doubt about our ability to continue as a going concern.***

The report of our independent registered public accounting firm contains a note stating that the accompanying financial statements have been prepared assuming we will continue as a going concern. During the three months ended March 31, 2024 and 2023, we incurred a net loss of $1,167,837 and $2,005,132, respectively and used cash in operations of $1,210,509 and $1,582,582, respectively. During the year ended December 31, 2023, we incurred a net loss of $5,933,113 and used cash in operations of $4,150,280. Losses have principally occurred as the result of our research and development efforts coupled with a lack of operating revenue. Until we begin generating revenue, there is doubt about our ability to become a going concern in the future.

***Our failure to meet the continued listing requirements of The Nasdaq Capital Market could result in a de-listing of our common stock.***

Our shares of common stock are listed for trading on The Nasdaq Capital Market under the symbol "FRZA." If we fail to satisfy the continued listing requirements of The Nasdaq Capital Market such as the corporate governance requirements, the stockholder's equity requirement or the minimum closing bid price requirement, The Nasdaq Capital Market may take steps to de-list our common stock or warrants. Such a de-listing or even notification of failure to comply with such requirements would likely have a negative effect on the price of our common stock and warrants would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a de-listing, we would take actions to restore our compliance with The Nasdaq Capital Market's listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below The Nasdaq Capital Market, minimum bid price requirement or prevent future non-compliance with The Nasdaq Capital Market's listing requirements.

On October 4, 2023, we received written notice from the Listing Qualifications Department of The Nasdaq Stock Market LLC ("Nasdaq") notifying us that for the preceding 30 consecutive business days (August 22, 2023 through October 3, 2023), our common stock did not maintain a minimum closing bid price of $1.00 ("Minimum Bid Price Requirement") per share as required by Nasdaq Listing Rule 5550(a)(2). The notice has no immediate effect on the listing or trading of our common stock and the common stock will continue to trade on The Nasdaq Capital Market under the symbol "FRZA."

In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we were provided a compliance period of 180 calendar days, or until April 1, 2024, to regain compliance with Nasdaq Listing Rule 5550(a)(2). We did not regain compliance with the Minimum Bid Price Requirement by April 1, 2024; however, on April 2, 2024, we received written notification from Nasdaq granting our request for a 180-day extension to regain compliance with Nasdaq Listing Rule 5550(a)(2). Compliance is generally achieved by meeting the price requirement for a minimum of 10 consecutive business days. However, Nasdaq may, in its discretion, require a company to satisfy the applicable price-based requirement for a period in excess of 10 consecutive business days, but generally no more than 20 consecutive business days, before determining that a company has demonstrated an ability to maintain long-term compliance. If we do not regain compliance with the Minimum Bid Price Requirement by September 30, 2024, Nasdaq will provide written notification to us that our common stock will be delisted. At that time, we may appeal the relevant delisting determination to a hearings panel pursuant to the procedures set forth in the applicable Nasdaq Listing Rules. However, there can be no assurance that, if we do appeal the delisting determination by Nasdaq to the hearings panel, that such appeal would be successful.

We intend to actively monitor the bid price of our common stock and will consider available options to regain compliance with the Nasdaq listing requirements, including such actions as effecting a reverse stock split to maintain our Nasdaq listing.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as "covered securities." Because our common stock is listed on The Nasdaq Capital Market, our common stock is covered securities. Although the states are preempted from regulating the sale of covered securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. Further, if we were to be delisted from The Nasdaq Capital Market, our common stock would cease to be recognized as covered securities and we would be subject to regulation in each state in which we offer our securities.

***We may need to raise additional capital that may be required to grow our business, and we may not be able to raise capital on terms acceptable to us or at all.***

Operating our business and maintaining our growth efforts will require significant cash outlays and advance capital expenditures and commitments. Our current plans also involve constructing a 60,000 square foot state-of-the-art manufacturing facility dedicated to developing and manufacturing our FX series electric boats, the cost of which is uncertain. Although the proceeds of our initial public offering and our secondary offering should be sufficient to fund our operations, if cash on hand and cash generated from operations and from our initial public offering and subsequent follow-on offering are not sufficient to meet our cash requirements, we will need to seek additional capital, potentially through debt or equity financings, to fund our growth. We cannot assure you that we will be able to raise cash on terms acceptable to us or at all. Financing may be on terms that are dilutive or potentially dilutive to our stockholders, and the prices at which new investors would be willing to purchase our securities may be lower than the price per share of our common stock paid by existing holders. The holders of new securities may also have rights, preferences or privileges which are senior to those of existing holders of common stock. If new sources of financing are required, but are insufficient or unavailable, we will be required to modify our growth and operating plans based on available funding, if any, which would harm our ability to grow our business.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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

None.

***(b) Use of Proceeds.***

On August 16, 2022, we closed our initial public offering of 3,000,000 shares of our common stock at a public offering price of $5.00 per share and an additional 450,000 shares of common stock upon exercise of the over-allotment option, generating gross proceeds of $17,250,000 (the "IPO") pursuant to our Registration Statement on Form S-1 (as amended) (File No. 333-261884), which was declared effective by the SEC on August 11, 2022. After deducting underwriting discounts and commissions of approximately $1.3 million, and other offering expenses payable by us of approximately $1.3 million, we received approximately $14.7 million in net proceeds from our initial public offering. ThinkEquity LLC acted as the representative of the several underwriters for the offering.

There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus, dated August 11, 2022, which was filed with the SEC on August 15, 2022, pursuant to Rule 424(b) under the Securities Act. The primary use of the net proceeds from our initial public offering continues to be, as follows: (i) approximately $8.0 million for the acquisition of property and the development of a manufacturing plant to build, design and manufacture our new line of electric boats; (ii) approximately $2.0 million for ramp up of production and inventory; (iii) approximately $2.6 million for working capital. Since its initial public offering, the Company has invested approximately $6.0 million into production, R&D, inventory, working capital, facility planning, and the clearing and grading of land.

No payments were made by us to directors, officers or persons owning ten percent or more of our common stock or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries. Pending the uses described, we have invested the net proceeds in our operating cash account.

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

None.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not Applicable.

## ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

## ITEM 5. OTHER INFORMATION.

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "nonRule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**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 of Exhibit |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-41469), filed with the Securities and Exchange Commission on August 16, 2022) |
| 3.2 | Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001- 41469), filed with the Securities and Exchange Commission on August 16, 2022) |
| | |
| 10.1 | Employment Agreement between Dan Norton and Forza X1, Inc. (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-41469), filed with the Securities and Exchange Commission on March 13, 2024) |
| 31.1* | 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. |
| 31.2* | 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. |
| 32.1* | 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. |
| 32.2* | 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. |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema Document |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | XBRL 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.

**FORZA X1, INC.**

| | | |
|---|---|---|
| Date: May 15, 2024 | By: | /s/ Joseph Visconti<br>Joseph Visconti<br>*Interim Chief Executive Officer*<br>*(Principal Executive Officer)* |
| Date: May 15, 2024 | By: | /s/ Michael Dickerson<br>Michael Dickerson<br>*Interim Chief Financial Officer*<br>*(Principal Financial and Accounting Officer)* |

**Exhibit 31.1**

**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 Visconti, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forza X1, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d15(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 financing 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: May 15, 2024

By: /s/ Joseph Visconti
Name: Joseph Visconti
Title: Interim Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**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, Michael Dickerson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forza X1, Inc.;

2. Based on my knowledge, his 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 15d15(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: May 15, 2024

By: /s/ Michael Dickerson
Name: Michael Dickerson
Title: Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 32.1**

**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 Forza X1, Inc. (the “Registrant”) on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joseph 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: May 15, 2024 | By: | /s/ Joseph Visconti |
| | | Name: Joseph Visconti |
| | | Title: Interim Chief Executive Officer |
| | | (Principal Executive Officer) |

**Exhibit 32.2**

**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 Forza X1, Inc. (the “Registrant”) on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Dickerson, 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: May 15, 2024 | By: | /s/ Michael Dickerson |
| | | Name: Michael Dickerson |
| | | Title: Interim Chief Financial Officer |
| | | (Principal Financial and Accounting Officer) |