

REFINITIV

DELTA REPORT

10-Q

LRHC - LA ROSA HOLDINGS CORP.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2016
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 CHANGES	53
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 DELETIONS	1096
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 ADDITIONS	867
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **March 31, 2024**

OR

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: **001-41588**

001-41588

LA ROSA HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

Nevada

87-1641189

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

**1420 Celebration Blvd., 2nd Floor
Celebration, Florida**

34747

(Address of principal executive offices)

(Zip Code)

(321) 250-1799

(Registrant's telephone number, including area code)

N/A

(Former name, former address and formal fiscal year, if changed since last report)

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	LRHC	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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 ☐

Yes

☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ☒

☐

No ☐

As of **November**

20 **May 15, 2024, 2023**, the registrant had **11,394,990** **14,817,655** shares of common stock, par value \$0.0001 per share, outstanding.

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PART I. FINANCIAL INFORMATION

ITEM

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

La

La Rosa Holdings Corp. and Subsidiaries
Condensed Consolidated Balance Sheets

	September 30, 2023 (unaudited)	December 31, 2022 (audited)
Assets		
Current assets:		
Cash	\$ 350,276	\$ 118,558
Restricted cash	1,547,175	1,411,364
Accounts receivable, net	274,210	424,549
Other current assets	—	45,000
Due from related party	45,413	41,558
Total current assets	2,217,074	2,041,029
Non-current assets:		
Deferred offering costs	3,529,192	1,760,447
Other non-current assets	21,270	79,314
Total non-current assets	3,550,462	1,839,761
Total assets	\$ 5,767,536	\$ 3,880,790
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Line of credit	\$ 101,991	\$ 86,163
Accounts payable	1,217,318	1,523,936
Accrued expenses	608,232	522,279
Due to related party, current	149,245	652,233
Derivative liability	323,750	1,022,879
Convertible notes payable, net	95,000	585,779
Advances on future receipts	334,722	—
Notes payable, current	253,200	250,788
Total current liabilities	3,083,458	4,644,057
Non-current liabilities:		
Notespayable, net of current	354,540	360,912
Due to related party, net of current	—	338,757
Security deposits payable	1,607,024	1,415,059
Total non-current liabilities	1,961,564	2,114,728
Total liabilities	5,045,022	6,758,785
Commitments and contingencies (Note 4)		
Stockholders' equity (deficit):		
Preferred stock - \$0.0001 par value; 50,000,000 shares authorized; 2,000 Series X shares issued and outstanding at September 30, 2023 and December 31, 2022 respectively; 3,436 Series A shares issued and outstanding at September 30, 2023 and none issued or outstanding at December 31, 2022	—	—
Common stock - \$0.0001 par value; 250,000,000 shares authorized; 6,284,168 and 6,000,000 issued and outstanding at September 30, 2023 and December 31, 2022, respectively	628	600
Additional paid-in capital	6,747,489	1,410,724
Accumulated deficit	(6,025,603)	(4,289,319)
Total stockholders' equity (deficit)	722,514	(2,877,995)
Total liabilities and stockholders' equity (deficit)	\$ 5,767,536	\$ 3,880,790

	March 31, 2024 (unaudited)	December 31, 2023 (audited)
Assets		
Current assets:		
Cash	\$ 1,079,161	\$ 959,604

Restricted cash	1,604,377	1,484,223
Accounts receivable, net of allowance for credit losses of \$99,443 and \$83,456, respectively	825,710	826,424
Total current assets	<u>3,509,248</u>	<u>3,270,251</u>
Noncurrent assets:		
Property and equipment, net	13,408	14,893
Right-of-use asset, net	983,230	687,570
Intangible assets, net	5,178,761	4,632,449
Goodwill	6,568,225	5,702,612
Other long-term assets	19,854	21,270
Total noncurrent assets	<u>12,763,478</u>	<u>11,058,794</u>
Total assets	<u>\$ 16,272,726</u>	<u>\$ 14,329,045</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,597,529	\$ 1,147,073
Accrued expenses	234,780	227,574
Contract liabilities	164,767	—
Derivative liability	122,300	—
Advances on future receipts	—	77,042
Accrued acquisition cash consideration	255,000	300,000
Notes payable, current	662,190	4,400
Lease liability, current	406,162	340,566
Total current liabilities	<u>3,442,728</u>	<u>2,096,655</u>
Noncurrent liabilities:		
Note payable, net of current	646,926	615,127
Security deposits payable	1,604,377	1,484,223
Lease liability, noncurrent	591,609	363,029
Other liabilities	2,950	2,950
Total non-current liabilities	<u>2,845,862</u>	<u>2,465,329</u>
Total liabilities	<u>6,288,590</u>	<u>4,561,984</u>
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock - \$0.0001 par value; 50,000,000 shares authorized; 2,000 Series X shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	—	—
Common stock - \$0.0001 par value; 250,000,000 shares authorized; 14,252,716 and 13,406,480 issued and outstanding at March 31, 2024 and December 31, 2023, respectively	1,425	1,341
Additional paid-in capital	22,283,884	18,016,400
Accumulated deficit	(16,706,552)	(12,107,756)
Total stockholders' equity – La Rosa Holdings Corp. shareholders	<u>5,578,757</u>	<u>5,909,985</u>
Noncontrolling interest in subsidiaries	4,405,379	3,857,076
Total stockholders' equity	<u>9,984,136</u>	<u>9,767,061</u>
Total liabilities and stockholders' equity	<u>\$ 16,272,726</u>	<u>\$ 14,329,045</u>

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

La
La Rosa Holdings Corp. and Subsidiaries
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 6,792,250	\$ 6,131,892	\$ 20,320,606	\$ 20,206,673
Cost of revenue	6,216,751	5,582,663	18,450,162	17,998,181
Gross profit	575,499	549,229	1,870,444	2,208,492
Operating Expenses:				
General and administrative	943,675	1,133,987	2,751,713	3,195,947
Sales and marketing	49,277	52,057	242,548	296,429
Total operating expenses	992,952	1,186,044	2,994,261	3,492,376
Loss from operations	(417,453)	(636,815)	(1,123,817)	(1,283,884)
Other income (expense):				
Interest expense, net	(6,966)	(50,351)	(147,505)	(84,020)
Amortization of financing fees	(207,887)	(4,053)	(882,781)	(100,123)
Change in fair value of derivative liability	10,201	(1,147)	138,985	(24,363)
Forgiveness of debt	—	—	—	149,312
Other income, net	278,266	—	278,834	27,786
Total other income (expense)	73,614	(55,551)	(612,467)	(31,408)
Loss before provision for income taxes	(343,839)	(692,366)	(1,736,284)	(1,315,292)
Provision for income taxes	—	—	—	—
Net loss	<u>\$ (343,839)</u>	<u>\$ (692,366)</u>	<u>\$ (1,736,284)</u>	<u>\$ (1,315,292)</u>
Loss per share:				
Basic and diluted	\$ (0.06)	\$ (0.12)	\$ (0.29)	\$ (0.22)
Shares used in computing loss per share:				
Basic and diluted	6,180,633	6,000,000	6,063,056	6,000,000

(unaudited)

	Three Months Ended March 31,	
	2024	2023
Revenue	\$ 13,088,899	\$ 6,041,636
Cost of revenue	11,926,902	5,413,926
Gross profit	1,161,997	627,710
Operating expenses:		
Sales and marketing	232,727	91,378
General and administrative	2,321,855	883,261
Stock-based compensation — general and administrative	3,191,138	69,314
Total operating expenses	5,745,720	1,043,953
Loss from operations	(4,583,723)	(416,243)
Other income (expense)		
Interest expense, net	(20,252)	(92,133)
Amortization of debt discount	(56,003)	(592,620)
Change in fair value of derivative liability	(5,000)	111,478
Other income, net	—	567

Loss before provision for income taxes	(4,664,978)	(988,951)
Benefit from income taxes	—	—
Net loss	(4,664,978)	(988,951)
Less: Net loss attributable to noncontrolling interests in subsidiaries	(66,182)	—
Net loss after noncontrolling interest in subsidiaries	(4,598,796)	(988,951)
Less: Deemed dividend	230,667	—
Net loss attributable to common stockholders	<u>\$ (4,829,463)</u>	<u>\$ (988,951)</u>
Loss per share of common stock attributable to common stockholders		
Basic and diluted	\$ (0.35)	\$ (0.16)
Weighted average shares used in computing net loss per share of common stock attributable to common stockholders		
Basic and diluted	13,672,655	6,002,578

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

La Rosa Holdings Corp. and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit)
(unaudited)

Three Months Ended September 30, 2023	Preferred Stock Series A		Preferred Stock Series X		Common Stock		Additional	Accumulated	Total Equity
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Paid-in Capital	Deficit	
Balance as of June 30, 2022	2,836	\$ —	2,000	\$ —	6,004,000	\$ 600	\$ 4,646,081	\$ (5,681,764)	\$ (1,035,083)
Net loss								(343,839)	(343,839)
Issuance of series A preferred stock	600	—					600,000		600,000
Issuance of common stock for deferred offering costs					250,168	25	1,250,815		1,250,840
Issuance of common stock related to debt maturity					30,000	3	149,997		150,000
Extinguishment of derivative liability related to exchange of convertible and related party debt and the repayment of external debt							95,555		95,555
Stock-based compensation							5,041		5,041
Balance as of September 30, 2023	<u>3,436</u>	<u>\$ —</u>	<u>2,000</u>	<u>\$ —</u>	<u>6,284,168</u>	<u>\$ 628</u>	<u>\$ 6,747,489</u>	<u>\$ (6,025,603)</u>	<u>\$ 722,514</u>

(unaudited)

Three Months Ended March 31, 2024	Preferred Stock Series X		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interest In Subsidiaries	Total Equity
	Shares	Par	Shares	Amount					
Balance as of December 31, 2023	2,000	\$ —	13,406,480	\$ 1,341	\$ 18,016,400	\$ (12,107,756)	\$ 5,909,985	\$ 3,857,076	\$ 9,767,061
Net loss						(4,598,796)	(4,598,796)	(66,182)	(4,664,978)
Issuance of common stock for acquisitions			546,423	54	991,716		991,770	614,485	1,606,255
Equity awards issued with debt issuance			67,000	7	86,611		86,618		86,618
Stock-based compensation			230,000	23	3,191,115		3,191,138		3,191,138
Issuance of common stock for equity awards, net of shares withheld for taxes			2,813	—	(1,958)		(1,958)		(1,958)
Balance as of March 31, 2024	<u>2,000</u>	<u>\$ —</u>	<u>14,252,716</u>	<u>\$ 1,425</u>	<u>\$ 22,283,884</u>	<u>\$ (16,706,552)</u>	<u>\$ 5,578,757</u>	<u>\$ 4,405,379</u>	<u>\$ 9,984,136</u>

Nine Months Ended September 30, 2023	Preferred Stock Series A		Preferred Stock Series X		Common Stock		Additional	Accumulated	Total Equity
	Shares	Par Value	Shares	Par Value	Shares	Amount	Paid-In Capital	Deficit	
Balance as of December 31, 2022	—	\$ —	2,000	\$ —	6,000,000	\$ 600	\$ 1,410,724	\$ (4,289,319)	\$ (2,877,995)
Net loss								(1,736,284)	(1,736,284)
Issuance of series A preferred stock	3,436	—					3,446,468		3,446,468
Issuance of common stock for deferred offering costs					250,168	25	1,250,815		1,250,840
Issuance of common stock related to debt maturity					30,000	3	149,997		150,000
Extinguishment of derivative liability related to exchange of convertible debt and related party debt, and the repayment of external debt							410,144		410,144
Stock-based compensation							79,341		79,341
Issuance of common stock for equity incentive awards					4,000	—	—		—
Balance as of September 30, 2023	<u>3,436</u>	<u>\$ —</u>	<u>2,000</u>	<u>\$ —</u>	<u>6,284,168</u>	<u>\$ 628</u>	<u>\$ 6,747,489</u>	<u>\$ (6,025,603)</u>	<u>\$ 722,514</u>

Three Months Ended March 31, 2023	Preferred Stock Series A		Preferred Stock Series X		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Equity
	Shares	Par	Shares	Par	Shares	Amount			
Balance as of December 31, 2022	—	\$ —	2,000	\$ —	6,000,000	\$ 600	\$ 1,410,724	\$ (4,289,319)	\$ (2,877,995)
Net loss								(988,951)	(988,951)
Issuance of preferred stock	2,264	—					2,270,085		2,270,085
Extinguishment of derivative liability related to exchange of convertible and related party debt							242,909		242,909
Stock-based compensation							69,314		69,314
Shares issued under employee agreements					4,000	—	—		—
Balance as of March 31, 2023	<u>2,264</u>	<u>\$ —</u>	<u>2,000</u>	<u>\$ —</u>	<u>6,004,000</u>	<u>\$ 600</u>	<u>\$ 3,993,032</u>	<u>\$ (5,278,270)</u>	<u>\$ (1,284,638)</u>

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

La

La Rosa Holdings Corp. and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit)
(unaudited)

Three Months Ended September 30, 2022	Preferred Stock Series X		Common Stock		Additional	Accumulated	Total Equity
	Shares	Par Value	Shares	Par Value	Paid-in Capital	Deficit	
Balance as of June 30, 2022	2,000	\$ —	6,000,000	\$ 600	\$ 425,016	\$ (2,573,748)	\$ (2,148,132)
Net loss						(692,366)	(692,366)
Member's distributions						11,660	11,660
Balance as of September 30, 2022	2,000	\$ —	6,000,000	\$ 600	\$ 425,016	\$ (3,254,454)	\$ (2,828,838)

Cash Flows

(unaudited)

Nine Months Ended September 30, 2022	Preferred Stock Series X		Common Stock		Additional	Accumulated	Total Equity
	Shares	Par Value	Shares	Par Value	Paid-In Capital	Deficit	
Balance as of December 31, 2021	2,000	\$ —	6,000,000	\$ 600	\$ 425,016	\$ (1,739,135)	\$ (1,313,519)
Net loss						(1,315,292)	(1,315,292)
Member's distributions						(200,027)	(200,027)
Balance as of September 30, 2022	2,000	\$ —	6,000,000	\$ 600	\$ 425,016	\$ (3,254,454)	\$ (2,828,838)

	Three Months Ended March 31,	
	2024	2023
Cash Flows from Operating Activities:		
Net loss	\$ (4,664,978)	\$ (988,951)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	3,191,138	69,314
Amortization and depreciation	273,251	—
Change in fair value of derivatives	5,000	(111,478)
Amortization of debt discount and financing fees	56,003	592,620
Non-cash interest expense	14,955	79,892
Provision for credit losses	15,987	—
Changes in Operating Assets and Liabilities:		
Accounts receivable	(12,880)	167,262
Prepaid expenses	11,726	45,000
Accounts payable	390,853	(277,397)
Accrued expenses	(14,345)	81,791
Contract liabilities	164,767	—
Security deposits payable	120,154	70,030
Operating lease liabilities	(89,936)	—
Net Cash Used in Operating Activities	(538,305)	(271,917)
Cash Flows from Investing Activities:		
Cash acquired through acquisition of businesses	98,612	—
Net Cash Provided by Investing Activities	98,612	—
Cash Flows from Financing Activities:		
Borrowings on bank line of credit	—	162,590
Payments on bank line of credit	—	(153,301)
Proceeds from notes payable	1,000,000	—
Deferred debt issuance costs	(187,974)	—
Payments on notes payable	(1,201)	(855)
Payments on advances on future receipts	(84,463)	—
Payments on post-acquisition consideration	(45,000)	—
Payments related to the public offering	—	(173,768)
Payments to related party	—	(15,000)
Issuance of preferred stock	—	655,000
Withholding tax paid on behalf of employees on stock-based awards	(1,958)	—
Net Cash Provided by Financing Activities	679,404	474,666
Net Increase in Cash and Restricted Cash	239,711	202,749

Cash and Restricted Cash at Beginning of Period	2,443,827	1,529,922
Cash and Restricted Cash at End of Period	<u>\$ 2,683,538</u>	<u>\$ 1,732,671</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest	<u>\$ 10,786</u>	<u>\$ 12,241</u>
Taxes	<u>\$ —</u>	<u>\$ —</u>
Non-Cash Investing and Financing Activities:		
Derivative liability embedded in debt instruments	<u>\$ 117,300</u>	<u>\$ —</u>
Issuance of 546,423 shares of common stock as consideration of acquisitions of businesses	<u>\$ 991,770</u>	<u>\$ —</u>
Issuance of 67,000 shares of common stock as part of the issuance of notes payable	<u>\$ 86,618</u>	<u>\$ —</u>
Convertible debt and related party debt exchanged for 1,608 shares of Series A Convertible Preferred Stock	<u>\$ —</u>	<u>\$ 1,615,085</u>
Increase in accounts payable related to deferred offering costs	<u>\$ —</u>	<u>\$ 688,320</u>
Issuance of 230,000 shares of common stock for services rendered	<u>\$ 402,589</u>	<u>\$ —</u>
Office leases acquired under operating lease obligations	<u>\$ 384,112</u>	<u>\$ —</u>
Reconciliation of Cash and Restricted Cash		
Cash	<u>\$ 1,079,161</u>	<u>\$ 290,504</u>
Restricted Cash	<u>1,604,377</u>	<u>1,442,167</u>
Cash and Restricted Cash	<u>\$ 2,683,538</u>	<u>\$ 1,732,671</u>

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

La
La Rosa Holdings Corp. and Subsidiaries
Condensed Consolidated Statement of Cash Flows
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash Flows from Operating Activities:		
Net loss	\$ (1,736,284)	\$ (1,315,292)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	79,341	—
Forgiveness of debt	—	(149,312)
Change in fair value of derivatives	(138,985)	24,363
Amortization of debt discount and financing fees	714,961	100,123
Non-cash interest expense	56,877	69,147
Amortization of original issue discount	212,358	—
Provision for bad debts	17,826	74,817
Changes in Operating Assets and Liabilities:		
Accounts receivable	132,513	225,771
Other current assets	45,000	(5,000)
Accounts payable	(171,370)	(3,049)
Accrued expenses	145,013	201,057
Security deposits payable	191,965	183,553
Other	—	(51,136)
Net Cash Used in Operating Activities	\$ (450,785)	\$ (644,958)
Cash Flows from Financing Activities:		
Borrowings on line of credit	293,523	21,518
Repayments on line of credit	(277,695)	—
Proceeds from notes payable	—	264,448
Payments on notes payable	(280,951)	—
Proceeds from advances on future receipts	500,650	—
Payments on advances on future receipts	(326,250)	—
Deferred offering costs	(595,108)	(375,182)
Proceeds from convertible debt	—	20,000
Proceeds from related party debt	—	670,000
Payments on related party debt	(18,855)	(33,136)
Proceeds from preferred stock	1,523,000	—
Distributions paid	—	(200,027)
Net Cash Provided by Financing Activities	\$ 818,314	\$ 367,621
Net Increase (Decrease) in Cash and Restricted Cash	\$ 367,529	\$ (277,337)
Cash and Restricted Cash at Beginning of Period	1,529,922	1,639,798
Cash and Restricted Cash at End of Period	<u>\$ 1,897,451</u>	<u>\$ 1,362,461</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest	\$ 22,386	\$ 14,873
Taxes	\$ —	\$ —
Non-Cash Activities:		
Convertible debt and related party debt exchanged for 1,912 shares of Series A Convertible Preferred Stock	\$ 1,923,468	\$ —
(Decrease) Increase in accounts payable related to deferred offering costs	\$ (77,204)	\$ 579,439
Value of 250,168 shares of common stock issued for deferred offering costs	\$ 1,250,840	\$ —
Issuance of 30,000 shares of common stock as part of the repayment of the OID Note	\$ 150,000	\$ —
Settlement of conversion rights	\$ 410,144	\$ —
Reconciliation of Cash and Restricted Cash		
Cash	\$ 350,276	\$ 66,961

Restricted Cash	1,547,175	1,295,500
Cash and Restricted Cash	\$ 1,897,451	\$ 1,362,461

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

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La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

NOTE

Note 1 - DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Nature of Organization

La Rosa Holdings Corp. (the "Company") is the holding company for five agent-centric, technology-integrated, cloud-based, multi-service real estate segments. In addition to providing person-to-person residential and commercial real estate brokerage services to the public, the Company cross sells ancillary technology-based products and services primarily to sales agents and the sales agents associated with the Company's franchisees. The business is organized based on the services provided internally to agents and to the public, which are residential and commercial real estate brokerages, franchising, real estate brokerage education and coaching, and property management services.

Liquidity

During the first nine months of fiscal year 2023, the Company effectuated a number of transactions that significantly increased the Company's liquidity since its position on December 31, 2022. The Company issued 1,523 shares of Series A Convertible Preferred Stock to 77 investors in a private placement pursuant to Regulation D under the Securities Act, raising \$1,523,000. The Company also exchanged convertible debt with an outstanding balance of \$598,836, including accrued interest of \$87,836, for 591 shares of Series A Preferred Stock. On March 27, 2023, the Company exchanged a portion of its related party debt with an outstanding gross balance of \$1,324,631, excluding debt discount of \$469,785, but including accrued interest of \$28,101, for 1,321 shares of Series A Preferred Stock. And on December 31, 2022, a loan of \$556,268 from Celebration Office Condos LLC, a company owned by Mr. La Rosa, was forgiven for one share of Series A Preferred Stock that was issued in the first quarter of fiscal year 2023. See Note 6 – Equity for additional information on the Series A Convertible Preferred Stock.

On September 30, 2023, the Company had a cash balance of \$350,276 and negative working capital of (\$866,384). On October 12, 2023, the Company completed an initial public offering ("IPO") and sold 1,000,000 shares of its common stock, par value \$0.0001, at a price to the public of \$5.00 per share, resulting in gross proceeds of \$5,000,000. The Company received net proceeds of \$4,360,000 after underwriter discounts, commissions, and expenses. The Company also reclassified \$3,529,192 of deferred offering costs as of September 30, 2023 to additional paid in capital upon completing the IPO. The Company used the proceeds to satisfy existing debt and accrued interest in the aggregate amount of approximately \$375,000, related party debt of approximately \$150,000, and existing accounts payable of \$1,000,000. On October 13, 2023 and on October 16, 2023, the Company acquired controlling interests in two of its franchisees: Horeb Kissimmee Realty, LLC and La Rosa Realty Lake Nona, Inc., for a total consideration of \$4,743,127, including \$550,000 in cash from the proceeds of the IPO, with the remainder in common stock. See Note 8 – Subsequent Events for additional information regarding the acquisitions.

The Company is subject to the risks and challenges associated with companies at a similar stage of development. These include dependence on key individuals, successful development and marketing of its offerings, and competition with larger companies with greater financial, technical, and marketing resources. Furthermore, during the period required to achieve substantially higher revenue in order to become consistently profitable, the Company may require additional funds that might not be readily available or might not be on terms that are acceptable to the Company. Until such time that the Company implements its growth strategy, it expects to continue to generate operating losses in the foreseeable future, mostly due to corporate overhead and costs of being a public company. The Company believes that its existing working capital and cash on hand after completing its IPO will provide sufficient cash to enable the Company to meet its operating needs and debt requirements for the next twelve months from the issuance date of this report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

and Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Regulation S-X and do not include all the information and disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). The Company has made estimates and judgments affecting the amounts reported in the Company's condensed consolidated financial statements and the accompanying notes. The actual results experienced by the Company may differ materially from the Company's estimates. The condensed consolidated financial information is unaudited and reflects all normal adjustments that are, in the opinion of management, necessary to provide a fair statement of results for the interim periods presented, which contemplate continuation of the Company as a going concern and realization of assets and satisfaction of liabilities in the normal course of business and do not include any adjustments that might result from the outcome of any uncertainties related to the Company's going concern assessment. The carrying amounts of assets and liabilities presented in the unaudited condensed financial statements do not necessarily purport to represent realizable or settlement values.

The unaudited condensed consolidated financial statements include the financial statements of the Company, all entities that are wholly-owned by the Company, and all entities in which the Company has a controlling financial interest. All intercompany transactions and balances have been eliminated. Business combinations consummated during the reporting period are reflected in the Company's results effective from the date of acquisition through the end of the reporting period.

Results of the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results to be expected for the full year ending December 31, 2023 December 31, 2024. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the Company as of and for the year ended December 31, 2022 December 31, 2023, included in the Company's Registration Statement Annual Report on Form S-1, 10-K. The condensed consolidated balance sheet as of December 31, 2022 December 31, 2023 was derived from the Company's audited financial statements referred to above.

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Liquidity – Going Concern and Management's Plans

On March 31, 2024, the Company had a cash balance of \$1.1 million and positive working capital of \$67 thousand.

On April 1, 2024, the Company entered into a securities purchase agreement with an accredited investor for the issuance of a 13% senior secured promissory note with a principal amount of \$1,316,000 and a purchase price of \$1,250,200 after an original issue discount of \$65,800. The note is convertible into shares of the Company's common stock at the option of the lender. The promissory note begins amortizing five months after the date of the loan, with full maturity occurring twelve months after the date of each loan. See Note 11 — Subsequent Events for additional information.

The Company is subject to the risks and challenges associated with companies at a similar stage of development. These include dependence on key individuals, successful development and marketing of its offerings, and competition with larger companies with greater financial, technical, and marketing resources. Furthermore, during the period required to achieve substantially higher revenue in order to become profitable, the Company will require additional funds that might not be readily available or might not be on terms that are acceptable to the Company. Until such time that the Company fully implements its growth strategy, it expects to continue to generate operating losses in the foreseeable future, mostly due to corporate overhead and costs of being a public company. As such, the Company anticipates that its existing working capital, including cash on hand, and cash generated from operations will not be sufficient to meet projected operating expenses for the foreseeable future through at least twelve months from the issuance of the consolidated financial statements. The Company will be required to raise additional capital to service its promissory notes, to repay the principal balance of each of the notes, and to fund ongoing operations.

The Company has incurred recurring net losses, and the Company's operations have not provided net positive cash flows. In view of these matters, there is substantial doubt about the Company's ability to continue as a going concern. The Company plans on continuing to expand via acquisition, which will help achieve future profitability, and the Company has plans to raise capital from outside investors, as it has done in the past, to fund operating losses and to provide capital for further business acquisitions. There can be no assurance the Company can successfully raise the capital needed.

Reclassifications

Certain items in the prior period's condensed consolidated financial statements have been reclassified to conform to the current year presentation reflected in the financial statements. Specifically, stock-based compensation was separated from general and administrative expenses on the condensed consolidated statements of operations.

La Rosa Holdings Corp. and Subsidiaries
Notes to the Interim Unaudited Condensed Consolidated Financial Statements

On March 21, 2022,

Recently Adopted Accounting Standards

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. This update also clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction and requires certain disclosures for equity securities subject to contractual sale restrictions. ASU 2022-03 is effective for the Company **effected a 1-for-10 reverse stock split and on April 17, 2023, the Company effected a 2-for-1 forward stock split of its common stock issued and outstanding (including adjustments for fractional shares).** As a result, all share information in the **accompanying condensed**

fiscal year beginning after December 15, 2023. The Company adopted the standard beginning in fiscal year 2024. The adoption did not have a material impact on the Company's consolidated financial statements has been adjusted as if statements.

Recently Issued Accounting Standards Not Yet Adopted

In October 2023, the **reverse stock split** FASB issued ASU 2023-06, Disclosure Improvements: *Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, which incorporates certain SEC disclosure requirements into the FASB Accounting Standards Codification ("Codification"). The amendments are expected to clarify or improve disclosure and presentation requirements of a variety of Codification Topics, allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the Codification with the SEC's regulations. ASU 2023-06 will become effective for each amendment on the effective date of the SEC's corresponding disclosure rule changes. The Company is currently evaluating the impact that the adoption of this new standard will have on its consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, to improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. The ASU is effective for annual reporting periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the ASU to determine its impact on the Company's segment disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* amending existing income tax disclosure guidance, primarily requiring more detailed disclosure for income taxes paid and the **forward stock split happened** effective tax rate reconciliation. The ASU is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted and can be applied on either a prospective or retroactive basis. The Company is currently evaluating the ASU to determine its impact on the **earliest date presented.**

Company's income tax disclosures.

Use

Note 2 — Business Combinations

The Company has completed a number of **Estimates**

acquisitions in the first quarter of 2024 and will acquire additional businesses in the future. The preparation results of businesses acquired in a business combination are included in the Company's condensed consolidated financial statements in conformity with accounting principles generally accepted in from the United States date of America acquisition. The Company allocates the purchase price, which is the sum of the consideration provided and may consist of cash, equity, or a combination of the two, to the identifiable assets and liabilities of the acquired business at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management to make use significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates, and selection of comparable companies.

To date, the assets acquired and liabilities assumed in the Company's business combinations have primarily consisted of goodwill and finite-lived intangible assets, consisting primarily of franchise agreements, agent relationships, real estate listings, non-compete agreements, and right-of-use assets. The estimated fair values and useful lives of identifiable intangible assets are based on many factors, including estimates and assumptions **that affect reported amounts of assets future operating performance and liabilities and disclosure of contingent assets and liabilities at the date cash flows of the financial statements acquired business, the nature of the business acquired, and the reported amounts specific characteristics of revenues and expenses during the reporting period. Actual results could differ from those estimates, identified intangible assets. The Company's significant estimates include allowance for doubtful accounts and assumptions used to determine the fair value values and useful lives of warrants identified intangible assets could change due to numerous factors, including market conditions, technological developments, economic conditions and other equity instruments, competition. In connection with the embedded conversion features determination of fair values, the Company engages independent appraisal firms to assist with the valuation of intangible assets acquired and certain assumed obligations.**

Transaction costs associated with business combinations are expensed as incurred.

La Rosa Holdings Corp. and Subsidiaries
Notes to the Interim Unaudited Condensed Consolidated Financial Statements

During the first quarter of 2024, the Company acquired majority ownership of the convertible notes, following franchisees of the Company: La Rosa Realty Georgia LLC (“Georgia”) and La Rosa Realty California (“California”), and 100% ownership of La Rosa Realty Winter Garden LLC (“Winter Garden”). All three franchisees engage mostly in the residential real estate brokerage services to the public primarily through sales agents and also provide coaching and support services to agents on a fee basis.

The following table summarizes the purchase consideration and the purchase price allocation to the estimated fair values of the identifiable assets acquired and liabilities assumed for the three acquisitions. The values assigned to certain acquired assets and liabilities are preliminary as the Company is continuing to evaluate the fair value of acquisitions, including the assets and liabilities and may be adjusted as further information becomes available during the allocation period of up to 12 months from the acquisition date.

	Winter Garden	Georgia	California	Total
Acquired ownership	100 %	51 %	51 %	
Acquisition date	2/21/24	3/7/24	3/15/24	
Common stock issued	268,858	276,178	1,387	546,423
Equity consideration — purchase price	\$ 352,204	\$ 516,453	\$ 123,113	\$ 991,770
Noncontrolling interest	—	496,200	118,285	614,485
Acquisition date fair value	<u>\$ 352,204</u>	<u>\$ 1,012,653</u>	<u>\$ 241,398</u>	<u>\$ 1,606,255</u>
Purchase price allocation	\$ 352,204	\$ 1,012,653	\$ 241,398	1,606,255
Less fair value of net assets acquired:				
Cash	17,623	79,553	1,436	98,612
Working capital (less cash)	(17,148)	(54,991)	(45,027)	(117,166)
Intangible identifiable assets	171,767	446,657	111,202	729,626
Long-term assets	—	91,118	106,542	197,660
Long-term liabilities	—	(98,641)	(69,449)	(168,090)
Net assets acquired	<u>172,242</u>	<u>463,696</u>	<u>104,704</u>	<u>740,642</u>
Goodwill	<u>\$ 179,962</u>	<u>\$ 548,957</u>	<u>\$ 136,694</u>	<u>\$ 865,613</u>

Goodwill generated from the acquisition is primarily attributable to expected synergies from future growth and strategic advantages provided through expansion and is not expected to be deductible for income tax purposes.

The classes of intangible assets:

Reclassifications

Certain reclassifications have been made to data identifiable assets acquired and the estimated useful life of each class is presented in the 2022 table below for the three acquisitions:

	Winter Garden	Georgia	California	Total
Franchise agreement (10 to 11 years)	\$ 146,990	\$ 356,200	\$ 92,367	\$ 595,557
Agent relationships (8 to 11 years)	—	43,447	7,657	51,104
Real estate listings (1 year)	22,239	37,310	10,417	69,966
Non-compete agreements (4 years)	2,538	9,700	761	12,999
Total identifiable intangible assets acquired	<u>\$ 171,767</u>	<u>\$ 446,657</u>	<u>\$ 111,202</u>	<u>\$ 729,626</u>

The amounts of revenue, cost of revenue, gross profit, and loss from operations before income taxes of the three acquisitions included in the Company’s condensed consolidated statement of operations from the date of the acquisition for the three month period ended March 31, 2024 is as follows:

	Three Months Ended March 31, 2024
Revenue	\$ 245,436
Cost of revenue	\$ 229,712
Gross profit	\$ 15,725
Loss before provision for income taxes	\$ (11,983)

The following unaudited pro forma financial statements information presents the combined operating results of the Company, Winter Garden, Georgia, and California, as if each acquisition had occurred as of January 1, 2023. The unaudited pro forma financial information includes the accounting effects of the business combinations, including adjustments to conform with the 2023 amortization of intangible assets. The unaudited pro forma information does not necessarily reflect the actual results that would have been achieved, nor is it necessarily indicative of the Company’s future consolidated results.

La Rosa Holdings Corp. and Subsidiaries
Notes to the Interim Unaudited Condensed Consolidated Financial Statements

The unaudited pro forma financial statement presentation information is presented in the table below for the three-month periods ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Revenue	\$ 14,077,894	\$ 7,392,607
Cost of revenue	12,810,962	6,649,529
Gross profit	\$ 1,266,932	\$ 743,078
Loss before provision for income taxes	\$ (4,783,864)	\$ (1,034,064)
Loss per share of common stock attributable to common stockholders, basic and diluted	\$ (0.45)	\$ (0.11)
Weighted average shares used in computing net loss per share of common stock attributable to common stockholders	14,045,661	9,299,115

Concentrations of

Note 3 — Assets

Accounts Receivable and Allowance for Credit Risk

Losses

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. Although the Company limits its exposure to credit loss by depositing its cash with established financial institutions that management believes have good credit ratings and represent minimal risk of loss of principal, the Company's deposits, at times, may exceed federally insured limits. Collateral is not required for accounts receivable, and the Company believes the carrying value approximates fair value.

Restricted Cash

Restricted cash consists of cash held by the Company for rent collected by the Company due to property owners as well as rent security deposits. The Company recognizes a corresponding deposit liability until the funds are released. Once the cash is transferred from escrow, the Company reduces the respective customer's deposit liability.

Accounts Receivable

Accounts receivable consist of balances due from agents, tenants, franchisees, and commissions for closings. In determining collectability, closings and are presented on the condensed consolidated balance sheet, net of the allowance for credit losses. The allowance is determined by a number of factors, including age of the receivable, current economic conditions, historical trends, losses, and management's assessment of the financial condition of the debtor. Receivables are evaluated and specific customer issues written off once they are reviewed on a periodic basis deemed uncollectible, which may arise when the debtor is deemed unable to arrive at appropriate allowances, pay the amounts owed to the Company. The allowance for doubtful credit Estimates of uncollectible accounts receivable is recorded to general and administrative expense.

Intangible Assets

Intangible assets consist of franchise agreements, agent relationships, real estate listings, and non-compete agreements, and are initially recorded at fair value. Long-lived intangible assets are amortized over their estimated useful lives in a method reflecting the pattern in which the economic benefits are consumed or amortized on a straight-line basis if such pattern cannot be reliably determined. The Company continues to assess potential triggering events related to the value of its intangible assets and concluded that there were no indicators of impairment during the three months ended March 31, 2024.

The components of purchased intangible assets were as follows:

	Weighted Average Remaining Amortization Period (in years)	March 31, 2024			December 31, 2023		
		Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Franchise agreement	10	\$ 4,338,638	\$ 121,478	\$ 4,217,160	\$ 3,743,081	\$ 32,334	\$ 3,710,747
Agent relationships	8	573,884	24,757	549,127	522,780	8,692	514,088
Real estate listings	1	368,764	97,827	270,937	298,798	28,366	270,432
Non-compete agreements	4	153,923	12,386	141,537	140,924	3,742	137,182
Total	9	\$ 5,435,209	\$ 256,448	\$ 5,178,761	\$ 4,705,583	\$ 73,134	\$ 4,632,449

accounts was \$44,721 and \$29,039 as of September 30, 2023 (unaudited) and December 31, 2022, respectively.

La Rosa Holdings Corp. and Subsidiaries
Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the three months ended March 31, 2024, amortization expense was \$183 thousand. There was no amortization expense in the three-month period ended March 31, 2023. Based on the intangible assets recorded at March 31, 2024, and assuming no subsequent additions or impairment of the underlying assets, the remaining estimated amortization expense is expected to be as follows:

	March 31, 2024
2024 – remainder of year	\$ 644,783
2025	534,952
2026	519,314
2027	515,993
2028	480,685
Thereafter	2,483,034
Total	\$ 5,178,761

Note 4 — Liabilities

Fair Value Measurements

The fair

Fair value of a financial instrument is the amount price that could be received upon the sale of for an asset or the amount paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. The Company classified certain liabilities are marked to offer prices. The based on the following fair value hierarchy prioritizes the quality and reliability of the information used to determine fair values. The methodology establishes consistency and comparability by providing a fair value hierarchy that prioritizes the inputs to valuation techniques into three broad levels as follows:

hierarchy:

- Level 1 -- Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 -- Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3 -- Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

ASC 820 requires the use of observable data if such data is available without undue cost and effort. When available, the company uses unadjusted quoted market prices to measure

A financial instrument's level within the fair value and classifies such items within Level 1. If quoted market prices are not available, fair value hierarchy is based upon internally developed models that use current market-based or independently sourced market parameters such as interest rates and currency rates. Items valued using internally generated models are classified according to on the lowest level of any input or value driver that is significant to the valuation.

La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

The determination of fair value considers various factors including interest rate yield curves and time value underlying measurement. The Company has evaluated the financial instruments. In the event of an other-than-temporary impairment of a non-public equity method investment, the Company uses the net asset estimated fair value of its investment in the investee, adjusted using discounted cash flows, for the Company's estimate of the price that it would consider all factors that would impact the investment's fair value. The Company's financial instruments consist primarily using available market information and valuations as provided by third-party sources. The use of receivables, accounts payable, accrued expenses and short- and long-term debt. different market assumptions or estimation methodologies could have a significant effect on the estimated fair value amounts.

The carrying amounts of receivables, financial instruments, including cash, accounts receivable, accounts payable, and accrued expenses reflected in the condensed consolidated financial statements approximate fair value because of the due to their short-term maturity of such instruments.

In accordance with accounting standards, the maturities.

The Company determined that on September 30, 2023

and on December 31, 2022 certain instruments March 31, 2024 the first warrant qualified as a derivative liabilities liability and should be was recorded at their fair value on the date of issuance and will be re-measured at fair value each reporting period with the change reported in earnings. The fair value of these instruments was computed using

La Rosa Holdings Corp. and Subsidiaries

Notes to the Black Scholes model, incorporating transaction details such as the assumed price of the Company's common stock at an initial public offering, contractual terms, maturity and risk-free rates, as well as assumptions about future financings, volatility, and holder behavior. Interim Unaudited Condensed Consolidated Financial Statements

A summary of the Company's liabilities measured at fair value on a recurring basis is as follows:

As of September 30, 2023 (unaudited)					As of December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities								
Derivative liabilities	\$ —	\$ —	\$ 323,750	\$ 323,750	\$ —	\$ —	\$ 1,022,879	\$ 1,022,879

The following table provides a summary of changes in fair value associated with the Level 3 liabilities for the three-month periods ended September 30, 2023 and 2022:

	2023 (unaudited)	2022 (unaudited)
Balance – June 30,	\$ 587,006	\$ 164,888
Issuance of common stock related to the derivative liability	(157,500)	—
Extinguishment of derivative liability	(95,555)	—
Change in fair market value	(10,201)	1,147
Balance – September 30,	\$ 323,750	\$ 166,035

March 31, 2024					December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities								
Derivative liability (See Note 5)	\$ —	\$ —	\$ 122,300	\$ 122,300	\$ —	\$ —	\$ —	\$ —

The following table provides a summary of changes in fair value associated with the Level 3 liabilities for the nine-month periods ended September 30, 2023 and 2022:

	2023 (unaudited)	2022 (unaudited)
Balance – December 31,	\$ 1,022,879	\$ 141,672
Issuance of derivative liabilities	7,500	—
Issuance of common stock related to the derivative liability	(157,500)	—
Extinguishment of derivative liability	(410,144)	—
Change in fair market value	(138,985)	24,363
Balance – September 30,	\$ 323,750	\$ 166,035

Deferred Offering Costs

The Company capitalizes certain legal, accounting, and other third-party fees that are directly associated with in-process equity financings as deferred offering costs until such financings are consummated. After consummation of the equity financing, these costs are recorded in stockholders' equity (deficit) as a reduction of additional paid-in capital. Should the planned equity financing be abandoned, the deferred offering costs will be expensed immediately as a charge to operating expenses in the condensed consolidated statement of operations. Deferred offering costs were \$3,529,192 (unaudited) and \$1,760,447 as of September 30, 2023 and December 31, 2022, respectively, and are included in Non-current assets on the condensed consolidated balance sheets.

Loan Fees, Debt Discounts, and Financing Fees

The Company accounts for debt discount according to ASC No. 470-20, Debt with Conversion and Other Options. Debt discounts are amortized through periodic charges to interest expense over the term of the related financial instrument using the effective interest method. For the three-month periods ended September 30, 2023, March 31, 2024 and 2022, 2023:

	2024	2023
Balance – January 1,	\$ —	\$ 1,022,879
Issuance of derivative liability	117,300	—
Extinguishment of derivative liability	—	(242,909)
Change in fair market value	5,000	(111,478)
Balance – March 31,	\$ 122,300	\$ 668,492

The fair value of the derivative liability was computed using the Black Scholes model both when issued and on the balance sheet date. To determine the fair value, the Company recorded amortization incorporated transaction details such as the price of debt discounts the Company's common stock, contractual terms, maturity, and risk-free rates, as well as assumptions about future financings, volatility, probability of \$207,887 (unaudited) contingencies, and \$4,053 (unaudited), respectively. For holder behavior. The fair value of the nine-month periods ended September 30, 2023 derivative liability on the issuance date and 2022, the balance sheet date and the assumptions used in the Black-Scholes model are set forth in the table below.

	February 20, 2024	March 31, 2024
Weighted average fair value	\$ 0.78	\$ 0.88
Dividend yield	—	—
Expected volatility factor	77.5%	77.5%

Risk-free interest rate	4.3 %	4.2 %
Expected life (in years)	5.0	4.9

Contract Liabilities and Performance Obligations

Contract liabilities consist of unsatisfied performance obligations related to annual dues received at the start of the calendar year. As of March 31, 2024, the Company recorded amortization has approximately \$165 thousand of debt discounts remaining performance obligations, all of \$882,781 (unaudited) which will be recognized into revenue by the end of the calendar year. The Company has elected to exclude disclosures regarding remaining performance obligations that have an original expected duration of one year or less.

Note 5 — Borrowings

Line of Credit

The Company has a line of credit with Regions Bank that allows for advances up to \$150,000 with interest at the Prime Rate plus 4.75% with a floor of 4.75% and \$100,123 (unaudited) no maturity date. On March 31, 2024 and December 31, 2023, respectively.

no amount was drawn under the facility. The line of credit is collateralized by Company assets.

Economic Injury Disaster Loans

During the fourth quarter of 2023, the Company acquired two franchisees that had outstanding Economic Injury Disaster Loans (the “EIDL Loans”) in the aggregate of \$263,000. During the first quarter of 2024, the Company acquired a franchise that had outstanding EIDL Loan in the aggregate of \$34,100. The Company acquired the EIDL Loans, and the EIDL loans have terms similar to the Company’s existing EIDL loans. The EIDL Loans mature in 2050 and bear interest at a rate of 3.75% per annum.

La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Revenue Recognition

Total EIDL Loans are comprised of the following:

	March 31, 2024	December 31, 2023
Economic Injury Disaster Loans	\$ 652,426	\$ 619,527
Less: current portion	(5,500)	(4,400)
Notes payable, net of current	\$ 646,926	\$ 615,127

Future maturities of term debt as of March 31, 2024, were as follows:

	March 31, 2024
2024 – remainder of year	\$ 4,125
2025	5,500
2026	5,500
2027	5,500
2028	5,500
2029	5,500
Thereafter	620,801
Total	\$ 652,426

Convertible Note

On February 20, 2024, the Company entered into a securities purchase agreement with an accredited investor for the issuance of a senior secured promissory note with an aggregate principal amount of \$1,052,632. The note has an original issue discount of 5% and a coupon rate of 13% per annum. In addition, the Company issued 67,000 shares of the Company's common stock as a commitment fee, a warrant to purchase 120,000 shares of the Company's common stock with an exercise price of \$3.00, exercisable until the five-year anniversary of the closing date, and a second warrant to purchase 95,000 shares of the Company's common stock with an exercise price of \$2.25. The second warrant will only become exercisable if the note is not fully paid on or before the maturity date, at which point the warrant is exercisable until the five-year anniversary of the vesting date. The second warrant will be cancelled and extinguished if the note is fully paid on or before the note maturity date. The Company applies also agreed to register the provision securities issued to the investor by filing a registration statement with the U.S. Securities and Exchange Commission within ninety (90) calendar days from the date of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606"). the agreement. The Company measures revenue within the scope investor also has a security interest in certain property of ASC 606 by applying the five steps required by the standard

.At contract inception, the Company assesses and its subsidiaries to secure the services promised within each contract that falls prompt payment, performance, and discharge in full of all of the Company's obligations under the scope of ASC 606, determines those that note. The principal amount and interest under the note are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount convertible into shares of the transaction Company's common stock at a conversion price that is allocated of \$2.50 per share unless the Company fails to make an amortization payment when due, in which case the respective performance obligation when conversion price shall be the performance obligation is satisfied, which is when, lower of \$2.50 or as, the customer receives the benefit trading price of the performance obligation. shares. The application securities purchase agreements contain customary representations and warranties and agreements and obligations of the five steps necessitates parties. The proceeds of the note will be used for business development of assumptions that require judgment.

The revenue policies of each of our business segments are included in the consolidated financial statements for and general working capital purposes. In connection with this financing, the Company as also issued to its placement agent, Alexander Capital L.P. ("Alexander Capital"), a 5-year warrant to purchase 21,053 shares of and for the year ended December 31, 2022, included in the Company's Registration Statement on Form S-1.

Revenues from contracts with customers are summarized by category as follows for the for the three- and nine-month periods ended September 30, 2023 and 2022 periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Real Estate Brokerage Services (Residential)	3,848,991	3,674,149	\$ 11,851,678	\$ 12,891,678
Franchising Services	217,450	235,607	734,235	821,678
Coaching Services	182,393	164,653	464,603	511,678
Property Management	2,512,810	2,035,126	7,169,786	5,891,678
Real Estate Brokerage Services (Commercial)	30,606	22,357	100,304	71,678
Revenue	6,792,250	6,131,892	\$ 20,320,606	\$ 20,201,678

common stock at an exercise price of \$1.50 per share.

The following table disaggregates the Company's revenue based on the type of sale or service and the timing of satisfaction of performance obligations for the three and nine months ended September 30:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Performance obligations satisfied at a point in time	3,948,963	4,236,131	\$ 12,106,595	\$ 13,484,000
Performance obligations satisfied over time	2,843,287	1,895,761	8,214,011	6,721,000
Revenue	6,792,250	6,131,892	\$ 20,320,606	\$ 20,205,000

Cost of Revenue

Cost of revenue consists primarily of agent commissions less fees paid to the Company by the real estate agents.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the three-month periods ended September 30, 2023 and 2022 was \$10,718 (unaudited) and \$2,780 (unaudited), respectively. Advertising expense for the nine-month periods ended September 30, 2023 and 2022 was \$60,032 (unaudited) and \$100,921 (unaudited), respectively, and are included in sales and marketing expenses in the condensed consolidated statements of operations.

Other Income, Net

Other income, net for the three-month periods ended September 30, 2023 was from an IRS employee retention refundable credit received for prior tax years, net of legal costs to obtain the credit.

La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Loss Per Common Share

Basic loss per common share

The Company evaluated the terms of the securities purchase agreement and determined that the commitment shares and both warrants are freestanding instruments. The Company determined the commitment shares are classified as equity, which are initially recorded at fair value with no subsequent remeasurement. The Company determined that the first warrant is computed by dividing net loss applicable classified as a derivative liability, which is initially recorded at fair value with changes in fair value recorded in earnings. The second warrant and certain terms within the debt note are contingent upon certain possible events. The Company determined that the contingencies are not probable and, as such, are not recorded as contingent liabilities.

The Company incurred issuance costs that were directly attributable to common stockholders issuing the debt instrument in the amount of \$207,343, which includes a placement fee of \$90,000 paid to Alexander Capital. Of the debt issuance costs, \$187,974 was paid in cash and the remainder is the value of a warrant issued to Alexander Capital. The Company determined that the warrant issued to Alexander Capital is classified as equity. The issuance costs were not specifically related to any instrument within the transaction and, as such, were allocated in the same proportion as the proceeds were allocated to the debt, the committed shares, and the warrant.

The convertible note is comprised of the following:

	March 31, 2024
Principal amount	\$ 1,052,632
Unamortized debt discount	(395,942)
Net carrying value	\$ 656,690

The debt discount is reflected as a reduction on the outstanding liability and is being amortized as non-cash interest expense using the effective interest method over the term of the agreement. The Company accrued interest on the note totaling \$14,955 and recorded amortization of the debt discount totaling \$48,582 during the three-month period ending March 31, 2024.

Cash Advance Agreement

On July 3, 2023, the Company entered into a standard merchant cash advance agreement (the "Cash Advance") with Cedar Advance LLC ("Cedar") for the purchase and sale of future receipts pursuant to which the Company sold in the aggregate \$764,150 in future receipts of the Company for \$500,650. The Company recorded a debt discount in the amount of \$237,150 based upon the difference between the amount of future receipts sold and the actual proceeds received by the weighted average number Company and debt issuance costs of shares \$26,350. The debt discount and debt issuance costs were reflected as a reduction on the outstanding liability and were being amortized as non-cash interest expense using the effective interest method over the term of common stock outstanding during the period. Diluted loss per common share is computed by giving effect to all potential shares of common stock, including those related to our outstanding warrants agreement. The Cash Advance was fully repaid in January 2024.

La Rosa Holdings Corp. and stock equity plans, Subsidiaries

Notes to the extent dilutive. For all periods presented, these shares were excluded from the calculation of diluted loss per share of common stock because their inclusion would have been anti-dilutive. As a result, diluted loss per common share is the same as basic loss per common share for all periods presented.

Interim Unaudited Condensed Consolidated Financial Statements

The following table sets forth common stock equivalents that have been excluded from the computation of dilutive weighted average shares outstanding as their inclusion would have been antidilutive:

	September 30,	
	2023	2022
Warrants	140,000	40,000
Options	80,000	80,000
Restricted Stock Award	4,000	—
Future equity shares	60,000	—
Total	284,000	120,000

Stock Based Compensation

The Company follows the requirements of FASB ASC 718-10, Share Based Payments with regards to stock-based compensation issued to employees, directors,

Note 6 — Commitments and non-employees. Contingencies

Leases

The Company has agreements and arrangements that call operating leases for stock office space in several states. Lease terms are negotiated on an individual basis. Generally, the leases have initial terms ranging from one to be awarded to consultants five years. Renewal options are typically not recognized as compensation. The valuation methodology used to determine the fair value part of the warrants issued during right of use assets and lease liabilities as it is not reasonably certain at the period is the Black-Scholes option-pricing model. The Black-Scholes model requires the use of a number of assumptions including volatility of the stock price, the average risk-free interest rate, and the weighted average expected life of the warrants or stock options. Risk-free interest rates are calculated based on continuously compounded risk-free rates for the appropriate term. The dividend yield is assumed to be zero as lease commencement date that the Company has never paid will exercise these options to extend the leases. Leases with an initial term of twelve-months or declared any cash dividends on its common stock and does less that do not intend include an option to pay dividends on its common stock in purchase the foreseeable future. The Company recognizes forfeitures as they occur.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, that changes the impairment model for most financial assets and certain other instruments. For receivables, loans and other instruments, entities will be required to use a new forward-looking “expected loss” model that generally will result in the earlier recognition of allowance for losses. In addition, an entity will have to disclose significantly more information about allowances and credit quality indicators. The new standard is effective for the Company for fiscal years beginning after December 15, 2022. The Company adopted the standard beginning in fiscal year 2023. The adoption did underlying asset are not have a material impact recorded on the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In August 2020, balance sheets and are expensed on a straight-line basis over the FASB issued ASU 2020-06, Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815 – 40) (“ASU 2020-06”). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. ASU 2020-06 is effective for smaller reporting companies for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company will implement ASU 2020-06 on January 1, 2024.

NOTE 3 – RELATED PARTY TRANSACTIONS

Due from related party

La Rosa Realty, LLC has provided interest-free, due on demand advance to La Rosa Insurance LLC, a company controlled by the Company's chief executive officer. The outstanding balance was \$45,413 (unaudited) and \$41,558 as of September 30, 2023 and December 31, 2022, respectively.

Related party transactions

lease term.

The Company leases its corporate office from an entity controlled by the Company's chief executive officer CEO. In addition, some of the entities acquired in the fourth quarter of 2023 and increased the leasing space on July 1, 2023. The rent expense was \$50,718 (unaudited) and \$118,128 (unaudited) first quarter of 2024 lease their offices from their former owners, who now hold a minority interest in those entities.

Lease costs for the three- three-month periods ended March 31, 2024 and nine-month period ending September 30, 2023, respectively. 2023 were \$207,915 and \$31,465, respectively, and are included in general and administrative expenses in the condensed consolidated statements of operations.

Supplemental cash flow information related to leases is as follows:

Three Months Ended

	March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities	\$ 89,936	\$ —
Right-of-use assets obtained in exchange for lease liabilities	\$ 384,112	\$ —
During 2022, no rent expense was charged the first quarter of 2024, the Company acquired three franchisees, two of which had remaining lease terms beyond twelve months, resulting in an increase of \$187,350 in right-of-use assets and lease liabilities.		
Supplemental balance sheet information related to leases is as follows:		
	March 31, 2024	December 31, 2023
Assets:		
Right-of-use assets	\$ 983,230	\$ 687,570
Liabilities:		
Lease liability, current	\$ 406,162	\$ 340,566
Lease liability, noncurrent	591,609	363,029
	<u>\$ 997,771</u>	<u>\$ 703,595</u>
The Company's leases do not provide a readily determinable implicit discount rate. The Company estimates its incremental borrowing rate as the Company.		
There discount rate based on the information available at lease commencement. The weighted average discount rate is no		
7.94%.		
written agreement, and the rent is determined on a month-to-month basis. There are no future minimum rental payments, and the lease may be cancelled at any time by either party.		

On May 4, 2023, the mother of Joseph La Rosa purchased 200 shares of the Company's Series A Convertible Preferred Stock for \$200,000.

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La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Due to related party (due

Future maturities on demand advances)

Prior to 2023, the Company's chief executive officer provided interest free, due on demand, advances to the Company for the general operations of the Company. The outstanding balance of these obligations was \$60,591 (unaudited) and \$75,591 lease liabilities as of September 30, 2023 and December 31, 2022 March 31, 2024, respectively.

Prior to 2023, a relative of the Company's chief executive officer provided an interest free, due on demand, advance to the Company. The outstanding balance was \$48,000 are as of September 30, 2023 (unaudited) and December 31, 2022.

Prior to 2023, an entity owned by the Company's chief executive officer provided an interest free, due on demand, advance to the Company. The outstanding balance was \$40,654 as of September 30, 2023 (unaudited) and December 31, 2022.

The Company repaid all of the advances totaling \$149,245 at the closing of the Company's IPO on October 12, 2023.

Due to related party (term loans)

From February 2022 through October 3, 2022, the Company issued to Joseph La Rosa, the Company's chief executive officer, six unsecured subordinated promissory notes in the aggregate principal amount of \$765,000. The notes accrued interest at rates ranging from 1.4% per annum to 3.43% per annum, each follows:

	March 31, 2024
2024 – remainder of year	\$ 379,661
2025	334,264
2026	251,104
2027	146,243
2028	16,639
Total minimum lease payments	1,127,911
Less: imputed interest	(130,140)
Present value of lease obligations	997,771
Less: current portion	(406,162)
Long-term portion of lease obligations	\$ 591,609

There were no leases with a three year term with monthly payments toward principal and interest beginning after the Company's IPO. The payment of all or any portion of the outstanding principal balances of the notes and all interest thereon shall be pari passu in right of payment and in all other respects to the other unsecured subordinated promissory notes issued and all other trade debt and other obligations of the Company ranking similar to the note.

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La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

On July 15, 2021, the Company issued to an unaffiliated private investor an unsecured subordinated promissory note (the "ELP Note") in the principal amount of \$40,000 that was used for general corporate purposes. Interest accrued on the principal amount at 18% per annum. The payment of all or any portion of the outstanding principal balance of the note and all interest thereon shall be pari passu in right of payment and in all other respects to the other unsecured subordinated promissory notes issued and all other trade debt and other obligations of the Company ranking similar to the note. The original maturity of the note was April 30, 2022, which was extended to January 31, 2023. On December 1, 2022, Joseph La Rosa, the Company's chief executive officer, entered into an agreement with Mr. Carlos J. Bonilla, an attorney with the law firm of ELP Global PLLC that represents the Company, pursuant to which Mr. La Rosa sold to Mr. Bonilla 600,000 shares of his common stock in exchange for the assignment by Mr. Bonilla of the ELP Note plus accrued interest and the payment by Mr. Bonilla to Mr. La Rosa of cash in the amount of \$449,500. The agreement provides to Mr. Bonilla reverse split and anti-dilution protection and an option to sell all such shares back to Mr. La Rosa at a price of \$598,000 on or before August 31, 2023. The option expired unexercised. As a result of the assignment of the ELP Note to Mr. La Rosa, the principal balance of \$40,000 was reclassified to "Due to related party" on the condensed consolidated balance sheets.

On December 2, 2022, the Company issued to Joseph La Rosa, the Company's chief executive officer, a Convertible Original Issue Discount Promissory Note in the original principal amount of \$491,530 for which he paid \$449,500. This note has an annual original issue discount of 8.55% with a default interest rate of 24.0% and a \$5,000 per month per occurrence delinquency penalty. Mr. La Rosa has the right at any time, at his option, to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of the note into shares of the Company's common stock at a price equal to the offering price of the initial public offering multiplied by 0.75 with certain

distribution, fundamental transaction and anti-dilution protections and cash penalties for failure to deliver the shares in a timely manner. The Company also issued to Mr. La Rosa warrants (the "Note Warrants") exercisable for 50,000 shares of the Company's common stock that: (i) have a term of 60 months; (ii) have full ratchet anti-dilution protection provisions; (iii) are exercisable for a number of shares of our common stock equal to the number of shares that would be issued upon full conversion of this note; and (iv) have an exercise price equal to the lower of: (A) \$5.00 per share, or (B) the price per share of any subsequent offering undertaken by the Company. The Company also granted to Mr. La Rosa: (i) upon the repayment of the loan, 60,000 shares of the Company's common stock (based on an assumed offering price of \$5.00 per share in the initial public offering (or 60,000 shares if no subsequent offering is undertaken by the Company at the time of repayment)), (ii) the right to participate in any future financings, (iii) the right to rollover the principal and interest due to acquire Company securities in any future public or private offering, (iv) extensive and non-customary default provisions in the note, and (v) certain other affirmative and negative covenants. The loan will mature on the earlier of (i) six months from the date of issue or upon the completion of the Company's initial public offering. The loan is junior in payment to any senior debt and is unsecured. In March 2023, the Company exchanged, in a private placement under Sections 3(a)(9) and 4(a)(2) of the Securities Act, these six unsecured subordinated promissory notes, the ELP Note, and the Convertible Original Issue Discount Promissory Note representing an aggregate amount of principal and accrued interest of \$1,324,631, for 1,321 shares of the Company's Series A Preferred Stock at an exchange rate of \$1,000.00 per share. See Note 6 – Equity for additional information on the Series A Convertible Preferred Stock.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases its corporate office from an entity owned by the chief executive officer and increased the leasing space on July 1, 2023. The rent expense was \$50,718 (unaudited) and \$118,128 (unaudited) for the three- and nine-month period ending September 30, 2023, respectively. Beginning in the third quarter of fiscal year 2023, the Company sublets a portion of its corporate office to an unrelated third party and collected \$7,470 (unaudited) for the three- and nine-month period ending September 30, 2023. During 2022, no rent expense was charged to the Company, and the Company did not sublet any of the corporate office space. There is no written agreement, and the rent is determined on a month-to-month basis. There are no future minimum rental payments, and the lease may be cancelled at any time by either party.

The Company is obligated under multiple noncancellable operating lease terms for office spaces, which will expire in May 2024 with escalating monthly payments ranging from \$1,145 to \$2,200, plus certain occupancy expenses as prescribed in the lease, including without limitation certain utility costs.

La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

residual value guarantees.

Legal Proceedings

From timeLine of Credit

The Company has a line of credit with Regions Bank that allows for advances up to time, we may become involved in legal proceedings or be subject to claims arising in \$150,000 with interest at the ordinary course Prime Rate plus 4.75% with a floor of our business. 4.75% and no maturity date. On February 13, 2023 March 31, 2024 and December 31, 2023, Mr. Mark Gracy, who served as our Chief Operating Officer from November 18, 2021 to November 15, 2022, filed a civil lawsuit in no amount was drawn under the Circuit Court facility. The line of Osceola County, Florida, seeking a jury trial and claiming that credit is collateralized by Company assets.

Economic Injury Disaster Loans

During the fourth quarter of 2023, the Company breached his employment agreement by reducing his salary and failing to pay him his full severance payments and is looking for payment of his alleged severance of \$249,000.00. On April 11, 2023, the Company filed a motion to dismiss Mr. Gracy's complaint, which is still pending.

On September 5, 2023, Mr. Anthony Freitas, who was an alleged independent contractor of La Rosa Realty, LLC from January 13, 2013 until June of 2021, filed an amended complaint in the Circuit Court of Osceola County, Florida, seeking a jury trial and claiming acquired two franchisees that the Company breached his contract and is looking for payment of commissions on alleged closed real estate sales as an independent contractor in the amount unspecified but allegedly including actual damages, compensatory damages, attorney's fees, costs, and prejudgment interest. On October 12, 2023, the Company filed a motion to dismiss Mr. Freitas' complaint, which is still pending.

The Company believes that the above claims are without merit, and it will vigorously defend against such claims. Moreover, these claims, had outstanding Economic Injury Disaster Loans (the "EIDL Loans") in the aggregate would not of \$263,000. During the first quarter of 2024, the Company acquired a franchise that had outstanding EIDL Loan in the aggregate of \$34,100. The Company acquired the EIDL Loans, and the EIDL loans have a material adverse effect on terms similar to the Company's financial condition, business, or results existing EIDL loans. The EIDL Loans mature in 2050 and bear interest at a rate of operations, should the Company's defense not be successful in whole or in part. Except as stated herein, there is no other action, suit, proceeding, inquiry or investigation before or by any court, public board, government

agency, self-regulatory organization or body pending or, to the knowledge of our executive officers, threatened against or affecting our Company or our officers or directors in their capacities as such. 3.75% per annum.

Franchise Purchase Agreements

During fiscal year 2022, the Company signed purchase agreements with a portion of its franchisees to acquire a majority or a one hundred percent interest in their real estate brokerage businesses immediately after the closing of the Company's proposed initial public offering.

The Company closed two acquisitions in October 2023. See Note 8 – Subsequent Events for additional information. The purchase agreements had the following terms:

Name of Franchisee	Location	Percentage Interest To Be Purchased	Total			Stock Consideration
			Consideration	Cash Consideration		
Horeb Kissimmee Realty, LLC	Kissimmee, Florida	51%	\$ 3,068,134	\$ 500,000		\$ 2,568,134
La Rosa Realty Lake Nona, Inc.	Orlando, Florida	51%	\$ 1,674,994	\$ 50,000		\$ 1,624,994

⁽¹⁾The stock consideration was paid in unregistered, “restricted” shares of Company common stock valued at the IPO price of \$5.00.

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La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Each

Total EIDL Loans are comprised of the sellers following:

	March 31, 2024	December 31, 2023
Economic Injury Disaster Loans	\$ 652,426	\$ 619,527
Less: current portion	(5,500)	(4,400)
Notes payable, net of current	\$ 646,926	\$ 615,127

Future maturities of term debt as of March 31, 2024, were as follows:

	March 31, 2024
2024 – remainder of year	\$ 4,125
2025	5,500
2026	5,500
2027	5,500
2028	5,500
2029	5,500
Thereafter	620,801
Total	\$ 652,426

Convertible Note

On February 20, 2024, the Company entered into a securities purchase agreement with an accredited investor for the issuance of a senior secured promissory note with an aggregate principal amount of \$1,052,632. The note has an original issue discount of 5% and a coupon rate of 13% per annum. In addition, the Company issued 67,000 shares of the above franchisees have signed: (i) Company’s common stock as a Leak Out commitment fee, a warrant to purchase 120,000 shares of the Company’s common stock with an exercise price of \$3.00, exercisable until the five-year anniversary of the closing date, and a second warrant to purchase 95,000 shares of the Company’s common stock with an exercise price of \$2.25. The second warrant will only become exercisable if the note is not fully paid on or before the maturity date, at which point the warrant is exercisable until the five-year anniversary of the vesting date. The second warrant will be cancelled and extinguished if the note is fully paid on or before the note maturity date. The Company also agreed to register the securities issued to the investor by filing a registration statement with the U.S. Securities and Exchange Commission within ninety (90) calendar days from the date of the agreement. The investor also has a security interest in certain property of the Company and its subsidiaries to secure the prompt payment, performance, and discharge in full of all of the Company’s obligations under the note. The principal amount and interest under the note are convertible into shares of the Company’s common stock at a conversion price of \$2.50 per share unless the Company fails to make an amortization payment when due, in which case the conversion price shall be the lower of \$2.50 or the trading price of the shares. The securities purchase agreements contain customary representations and warranties and agreements and obligations of the parties. The proceeds of the note will be used for business development and general working capital purposes. In connection with this financing, the Company also issued to its placement agent, Alexander Capital L.P. (“Alexander Capital”), a 5-year warrant to purchase 21,053 shares of the Company’s common stock at an exercise price of \$1.50 per share.

La Rosa Holdings Corp. and Subsidiaries
Notes to the Interim Unaudited Condensed Consolidated Financial Statements

The Company evaluated the terms of the securities purchase agreement and determined that the commitment shares and both warrants are freestanding instruments. The Company determined the commitment shares are classified as equity, which are initially recorded at fair value with no subsequent remeasurement. The Company determined that the first warrant is classified as a derivative liability, which is initially recorded at fair value with changes in fair value recorded in earnings. The second warrant and certain terms within the debt note are contingent upon certain possible events. The Company determined that the contingencies are not probable and, as such, are not recorded as contingent liabilities.

The Company incurred issuance costs that were directly attributable to issuing the debt instrument in the amount of \$207,343, which includes a placement fee of \$90,000 paid to Alexander Capital. Of the debt issuance costs, \$187,974 was paid in cash and the remainder is the value of a warrant issued to Alexander Capital. The Company determined that the warrant issued to Alexander Capital is classified as equity. The issuance costs were not specifically related to any instrument within the transaction and, as such, were allocated in the same proportion as the proceeds were allocated to the debt, the committed shares, and the warrant.

The convertible note is comprised of the following:

	March 31, 2024
Principal amount	\$ 1,052,632
Unamortized debt discount	(395,942)
Net carrying value	\$ 656,690

The debt discount is reflected as a reduction on the outstanding liability and is being amortized as non-cash interest expense using the effective interest method over the term of the agreement. The Company accrued interest on the note totaling \$14,955 and recorded amortization of the debt discount totaling \$48,582 during the three-month period ending March 31, 2024.

Cash Advance Agreement

On July 3, 2023, the Company entered into a standard merchant cash advance agreement (the “Cash Advance”) with Cedar Advance LLC (“Cedar”) for the purchase and sale of future receipts pursuant to which the sellers have agreed not to sell the shares of common stock received Company sold in the buyout transaction until the 181st day after the closing date of this offering, and for the period ending one year from that date, to sell only one-twelfth aggregate \$764,150 in future receipts of the shares received per calendar month, subject to applicable securities laws as such shares are “restricted securities” under Company for \$500,650. The Company recorded a debt discount in the Securities Act; (ii) a Proxy Agreement which grants to Mr. Joseph La Rosa or his successor, in his capacity as amount of \$237,150 based upon the CEO, difference between the seller’s irrevocable proxy to vote all amount of future receipts sold and the shares of common stock actual proceeds received by the sellers Company and debt issuance costs of \$26,350. The debt discount and debt issuance costs were reflected as a reduction on the outstanding liability and were being amortized as non-cash interest expense using the effective interest method over the term of the agreement. The Cash Advance was fully repaid in January 2024.

La Rosa Holdings Corp. and Subsidiaries
Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Note 6 — Commitments and Contingencies

Leases

The Company has operating leases for office space in several states. Lease terms are negotiated on an individual basis. Generally, the leases have initial terms ranging from one to five years. Renewal options are typically not recognized as part of the right of use assets and lease liabilities as it is not reasonably certain at the lease commencement date that the Company will exercise these options to extend the leases. Leases with an initial term of twelve-months or less that do not include an option to purchase the underlying asset are not recorded on the consolidated balance sheets and are expensed on a straight-line basis over the lease term.

The Company leases its corporate office from an entity controlled by the Company's CEO. In addition, some of the entities acquired in the acquisition transaction; fourth quarter of 2023 and (iii) the first quarter of 2024 lease their offices from their former owners, who now hold a minority interest in those entities.

Lease costs for the three-month periods ended March 31, 2024 and 2023 were \$207,915 and \$31,465, respectively, and are included in general and administrative expenses in the condensed consolidated statements of operations.

Supplemental cash flow information related to leases is as follows:

	Three Months Ended	
	March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities	\$ 89,936	\$ —
Right-of-use assets obtained in exchange for lease liabilities	\$ 384,112	\$ —

During the first quarter of 2024, the Company acquired three franchisees, two of which had remaining lease terms beyond twelve months, resulting in an employment agreement increase of \$187,350 in right-of-use assets and lease liabilities.

Supplemental balance sheet information related to serve leases is as follows:

	March 31,	December 31,
	2024	2023
Assets:		
Right-of-use assets	\$ 983,230	\$ 687,570
Liabilities:		
Lease liability, current	\$ 406,162	\$ 340,566
Lease liability, noncurrent	591,609	363,029
	<u>\$ 997,771</u>	<u>\$ 703,595</u>

The Company's leases do not provide a readily determinable implicit discount rate. The Company estimates its incremental borrowing rate as the president of such company commencing immediately after discount rate based on the closing of the acquisition, reporting to Mr. Joseph La Rosa, with a salary that can be adjusted if that company's net profitability changes by more than 5% in any one month, information available at lease commencement. The sellers have agreed to certain confidentiality, work product, non-competition, non-solicitation, and non-disparagement terms, weighted average discount rate is 7.94%.

La Rosa Holdings Corp. and Subsidiaries
Notes to the Interim Unaudited Condensed Consolidated Financial Statements

NOTE 5 - DEBT

Future maturities on lease liabilities as of March 31, 2024, are as follows:

	March 31, 2024
2024 – remainder of year	\$ 379,661
2025	334,264
2026	251,104
2027	146,243
2028	16,639
Total minimum lease payments	1,127,911
Less: imputed interest	(130,140)
Present value of lease obligations	997,771
Less: current portion	(406,162)
Long-term portion of lease obligations	\$ 591,609

There were no leases with residual value guarantees.

Line of Credit

The Company has a line of credit with Regions Bank that allows for advances up to **\$150,000 plus \$150,000 with interest at the Prime Rate plus 4.75% with a floor of 4.75% and no maturity date.** On **September 30, 2023 March 31, 2024 and December 31, 2023, no amount was drawn under the rate was 13.25%. The outstanding advances on the line of credit were \$101,991 (unaudited) and \$86,163 on September 30, 2023 and December 31, 2022, respectively.** facility. The line of credit is collateralized by Company assets.

Promissory Notes

The Company's promissory notes payable balance consists

Economic Injury Disaster Loans

During the fourth quarter of the following:

	September 30, 2023 (unaudited)	December 31, 2022
Notes payable	\$ 250,000	\$ 250,788
Economic Injury Disaster Loans	357,740	360,912
Total Notes Payable	607,740	611,700
Less: Current Portion	(253,200)	(250,788)
	\$ 354,540	\$ 360,912

The minimum required principal payments on notes payable outstanding as of September 30, 2023 are as follows:

	Amount
For the years ending December 31,	
2023 (three months)	\$ 251,059
2024	4,232
2025	4,232
2026	4,232
2027	4,232
Thereafter	339,753
Total Notes Payable	\$ 607,740

Notes Payable

On August 22, 2022, 2023, the Company issued to an unaffiliated private investor an unsecured subordinated promissory note acquired two franchisees that had outstanding Economic Injury Disaster Loans (the "EIDL Loans") in the principal amount aggregate of \$250,000 that was used for general corporate purposes. Interest accrues on \$263,000. During the principal amount at 15% per annum with a default interest rate first quarter of 18% per annum. The payment of all or any portion of the outstanding principal balance of the note and all interest thereon shall be pari passu in right of payment and in all other respects to the other unsecured subordinated promissory notes issued and all other trade debt and other obligations of 2024, the Company ranking acquired a franchise that had outstanding EIDL Loan in the aggregate of \$34,100. The Company acquired the EIDL Loans, and the EIDL loans have terms similar to the note. This note had an original maturity Company's existing EIDL loans. The EIDL Loans mature in 2050 and bear interest at a rate of the earlier of the consummation of the closing of an initial public offering by the Company or on November 23, 2022. On December 5, 2022, the maturity was extended to the earlier of the consummation of the closing of an initial public offering by the Company or on January 31, 2023, all other terms remained unchanged. On February 16, 2023, the note was amended to extend the maturity to the earlier of the consummation of the closing of an initial public offering by the Company or on May 31, 2023. In addition, the Company will no longer make monthly interest payments and the principal balance along with all accrued but unpaid interest will be due on note maturity. On July 12, 2023 the note was amended to extend the maturity to the earlier of the consummation of the closing of an initial public offering by the Company or on August 31, 2023. On August 28, 2023 the note

was amended to extend the maturity to the earlier of the consummation of the closing of an initial public offering by the Company or on October 31, 2023. The Company shall also pay to the investor \$25,000 in the form of shares of the Company's unregistered, restricted common stock which shall be calculated based on either: (i) the 3.75% per unit price in Company's initial public offering, or (ii) if the initial public offering has not yet occurred at the time of the repayment, the fair market value of the common stock as determined by the Board of Directors in good faith. The Company repaid the note principal and all unpaid accrued interest annum.

at

the closing of the Company's IPO on October 12, 2023 and issued 5,000 unregistered, restricted shares of common stock.

La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

OID

Total EIDL Loans are comprised of the following:

	March 31, 2024	December 31, 2023
Economic Injury Disaster Loans	\$ 652,426	\$ 619,527
Less: current portion	(5,500)	(4,400)
Notes payable, net of current	\$ 646,926	\$ 615,127

Future maturities of term debt as of March 31, 2024, were as follows:

	March 31, 2024
2024 – remainder of year	\$ 4,125
2025	5,500
2026	5,500
2027	5,500
2028	5,500
2029	5,500
Thereafter	620,801
Total	\$ 652,426

Convertible Note

On November 14, 2022 February 20, 2024, the Company and Emmis Capital II, LLC, an affiliate of one of the Company's consultants ("Emmis Capital"), entered into a Securities Purchase Agreement and Senior Secured Promissory Note ("OID Note") in securities purchase agreement with an accredited investor for the issuance of a senior secured promissory note with an aggregate principal amount of \$277,778 that was used for general corporate purposes. This OID Note \$1,052,632. The note has an original issue discount of 10.0%, accrues interest at the 5% and a coupon rate of 10.0% 13% per annum, with a default interest rate of 24.0% and a \$5,000 per month per occurrence delinquency penalty. At the Company's option, upon not less than five business days' written notice to the lead investor prior to the date on which interest is due, annum. In addition, the Company may pay such interest (i) in kind or (ii) partly in cash and partly as interest paid in kind ("PIK Interest"). The PIK Interest will be capitalized, compounded and added to the unpaid principal amount of the note. Amounts representing the PIK Interest will be treated as principal. The note holder has the right at any time, at the holder's option, to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of the OID Note into shares of our common stock at a price equal to the offering price of this Offering multiplied by 0.75 with certain distribution, fundamental transaction and anti-dilution protections and cash penalties for failure to deliver the shares in a timely manner. The Company also issued to the lenders warrants (the "Lender Warrants") exercisable for 50,000 67,000 shares of the Company's common stock that: (i) have as a term of 60 months; (ii) have full ratchet anti-dilution protection provisions; (iii) are exercisable for commitment fee, a number of warrant to purchase 120,000 shares of the Company's common stock equal to the number of shares that would be issued upon full conversion of this Note; and (iv) have with an exercise price equal to of \$3.00, exercisable until the lower of: (A) \$5.00 per share, or (B) the price per share of any subsequent offering undertaken by the Company. The Company also granted to the lenders: (i) upon the repayment five-year anniversary of the loan, 30,000 closing date, and a second warrant to purchase 95,000 shares of the Company's common stock (based on with an assumed offering exercise price of \$5.00 per share (the "Lender Shares") (or 30,000 shares \$2.25. The second warrant will only become exercisable if no subsequent offering is undertaken by the Company at the time of repayment), (ii) the right to participate in any future financings, (iii) additional "piggy back" registration rights, (iv) the right to rollover the principal and interest due to acquire Company securities in any future public or private offering, (v) extensive and non-customary default provisions in the note and (vi) certain other affirmative and negative covenants. On is not fully paid on or before the maturity date, that at which point the warrant is ninety days after this Offering, exercisable until the five-year anniversary of the vesting date. The second warrant will be cancelled and extinguished if the note is fully paid on or before the note maturity date. The Company is required to file a registration statement with the SEC also agreed to register the securities issued to the lenders and to have that investor by filing a registration statement declared effective by May 13, 2023. The loan will mature on with the earlier of (i) six months U.S. Securities and Exchange Commission within ninety (90) calendar days from the date of issue or upon the completion agreement. The investor also has a security interest in certain property of this Offering. The the Company and Emmis Capital agreed its subsidiaries to extend secure the maturity date prompt payment, performance, and discharge in full of all of the loan to Company's obligations under the earlier note. The principal amount and interest under the note are convertible into shares of the date when the Company's common stock is listed on Nasdaq, at a conversion price of \$2.50 per share unless the Company fails to make an amortization payment when due, in which case the conversion price shall be the lower of \$2.50 or July 31, 2023. The parties agreed that in the event of listing trading price of the shares. The securities purchase agreements contain customary representations and warranties and agreements and obligations of the parties. The proceeds of the note will be used for business development and general working capital purposes. In connection with this financing, the Company also issued to its placement agent, Alexander Capital L.P. ("Alexander Capital"), a 5-year warrant to purchase 21,053 shares of the Company's common stock on Nasdaq prior to July 31, 2023, on the effective date at an exercise price of this registration statement the Company will issue to Emmis Capital shares of common stock valued at the initial public offering price, in lieu of a cash \$5,000 delinquency penalty payable from May 14, 2023 to July 31, 2023. In the event the listing is not completed by July 31, 2023, then the delinquency fee shall be paid in cash. In addition, Emmis Capital agreed to waive any and all events of default existing under the securities purchase agreement and the note as of June 21, 2023, including but not limited to its right to receive default interest and to receive any additional fees, penalties and charges. On August 28, 2023, the Company repaid the OID Note with a principal balance of \$277,778, accrued interest of \$21,842, and a delinquency penalty of \$17,258. In addition, in accordance with the terms of the original note, the Company issued 30,000 shares of common stock to Emmis Capital on August 28, 2023.

\$1.50 per share.

Economic Injury Disaster Loan

On June 1, 2020, the Company received the net proceeds from an Economic Injury Disaster Loan (the "EIDL Loan") from the SBA, in the amount of \$365,300. After a processing fee, net proceeds were \$365,100 under the terms. The EIDL Loan, which is in the form of a promissory note dated May 27, 2020, matures on May 27, 2050, and bears interest at a rate of 3.75% per annum. Payments are to be made monthly beginning as of May 27,

2021. Each payment is to be applied first to the interest accrued to the date of receipt of each payment, and the remaining balance, if any, will be applied to the principal. The loan terms provide for a collateral interest for the SBA and limits the use of proceeds to working capital to alleviate the effects of COVID-19 on the Company's economic condition. The EIDL program does not currently provide a mechanism for loan forgiveness.

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Convertible Notes

In two private placements conducted from July 2021 through October 2022, the Company entered into Convertible Note Purchase Agreements pursuant to which the Company issued unsecured convertible promissory notes ("Convertible Notes").

The Company issued Convertible Notes in the aggregate principal amount of \$616,000 that was used to pay the expenses of the organization securities purchase agreement and reorganization and for other general corporate purposes. Interest accrued on the principal amount of the Convertible Notes at 2.5% with a default rate of 3.0% per annum, and interest accrued on the principal amount of seven of the Convertible Notes at 18.0%, with a default interest rate of 20.0% per annum. The Convertible Notes ranked on a parity with the Company's other existing debt and mature on the earlier of the date determined that the Company's common stock becomes listed for trading on a national securities exchange or one year from commitment shares and both warrants are freestanding instruments. The Company determined the date of issue of each such note. Prior to commitment shares are classified as equity, which are initially recorded at fair value with no subsequent remeasurement. The Company determined that the maturity date, the Convertible Notes will convert the outstanding principal and accrued interest automatically into shares of the Company's common stock on the date of the closing of an initial public offering by the Company at a price per share equal to the product of the public offering price multiplied by 0.80. The conversion feature was deemed to be a first warrant is classified as a derivative liability, which is initially recorded at fair value with changes in fair value recorded in earnings. The second warrant and certain terms within the debt note are contingent upon certain possible events. The Company determined that the contingencies are not probable and, as such, are not recorded as contingent liabilities.

The Company incurred issuance costs that were directly attributable to issuing the Company recorded debt discounts instrument in the amount of \$203,782, \$207,343, which represented includes a placement fee of \$90,000 paid to Alexander Capital. Of the fair debt issuance costs, \$187,974 was paid in cash and the remainder is the value of a warrant issued to Alexander Capital. The Company determined that the derivative liabilities at the commitment dates. In addition, the Company incurred \$25,000 of professional fees directly warrant issued to Alexander Capital is classified as equity. The issuance costs were not specifically related to any instrument within the issuances transaction and, as such, were allocated in the same proportion as the proceeds were allocated to the debt, the committed shares, and the warrant.

The convertible note is comprised of the Convertible Notes which was recorded following:

	March 31, 2024
Principal amount	\$ 1,052,632
Unamortized debt discount	(395,942)
Net carrying value	\$ 656,690

The debt discount is reflected as a debt discount. All reduction on the outstanding liability and is being amortized as non-cash interest expense using the effective interest method over the term of the Convertible Notes are prepayable, in whole or in part, at any time prior to maturity without penalty or premium. The Convertible Notes had original maturities at various times during 2022 and 2023, which were extended into 2023. In December 2022, the Company repaid a 2.5% convertible note issued to one investor for a principal amount of \$10,000 plus accrued interest.

During the first nine months of 2023, the Company exchanged, in a private placement under Sections 3(a)(9) and 4(a)(2) of the Securities Act, 18 of the above convertible promissory notes, representing an aggregate amount of principal and accrued interest of \$598,836, for 591 shares of the Company's Series A Preferred Stock at an exchange rate of \$1,000.00 per share.

agreement. The Company accrued interest on the note totaling \$7,737 (unaudited) \$14,955 and \$32,239 (unaudited) recorded amortization of the debt discount totaling \$48,582 during the three-month periods ended September 30, 2023 and 2022, respectively, and the Company accrued interest totaling \$25,216 (unaudited) and \$85,661 (unaudited) during the nine-month periods ended September 30, 2023 and 2022, respectively, in connection with these Convertible Notes period ending March 31, 2024. As of September 30, 2023, the outstanding principal balance of the Convertible Notes was \$95,000 (unaudited) and there was no remaining unamortized discount. As of December 31, 2022, the outstanding principal balance of the Convertible Notes was \$606,000 and there was an unamortized discount of \$20,221.

On the closing of the Company's IPO on October 12, 2023, the Company repaid the principal and accrued interest of three of the remaining Convertible Notes totaling \$94,433 and one Convertible Note with a principal balance plus accrued interest of \$26,265 was converted into 6,566 unregistered, restricted shares of the Company's common stock.

La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Cash Advance Agreement

On July 3, 2023, the Company entered into a Standard Merchant Cash Advance Agreement standard merchant cash advance agreement (the "Cash Advance") with Cedar Advance LLC ("Cedar") for the purchase and sale of future receipts pursuant to which the Company sold in the aggregate \$764,150 in future receipts of the Company for \$500,650. Future receipts include cash, check, credit or debit card, electronic transfer, or other form of monetary payment. Until the purchase price has been repaid, the Company agreed to pay Cedar \$27,188

per week. In addition, the Company granted Cedar a security interest in all the Company's accounts, including deposit accounts and accounts receivable and proceeds. The Company recorded a debt discount in the amount of \$263,500 \$237,150 based upon the difference between the amount of future receipts sold and the actual proceeds received by the Company. Company and debt issuance costs of \$26,350. The debt discount is and debt

issuance costs were reflected as a reduction on the outstanding liability and is were being amortized as non-cash interest expense using the effective interest method over the term of the agreement. During the three and nine months ended September 30, 2023, non-cash interest expense of \$160,322 was recorded from the amortization of debt discounts. As of September 30, 2023, the remaining gross balance of the The Cash Advance was \$437,900, with a remaining unamortized discount of \$103,178, for a net balance of \$334,722, which will be fully repaid by in January 2024.

NOTE 6 – EQUITY

The Company is authorized to issue two classes of stock, consisting of 250,000,000 shares of common stock, \$0.0001 par value per share, and 50,000,000 shares of preferred stock, \$0.0001 par value per share.

Common Stock

On March 18, 2022, the Company effected a 1-for-10 reverse stock split of its common stock issued and outstanding, and on April 17, 2023, the Company effected a 2-for-1 forward stock split of its common stock issued and outstanding. As a result, all share information in the accompanying financial statements has been adjusted as if the reverse stock split and forward stock split happened on the earliest date presented. As the par value of the common stock was not impacted by the forward stock split, the Company recorded an entry to double the common stock at the earliest date presented with an offset to additional paid-in capital.

On January 10, 2022, the company entered into an investment banking agreement with a consultant. In addition to other compensation, the agreement requires the issuance of common stock of the Company equal to 4.0% of the Company. Such shares are to be held in book entry at the transfer agent and shall not be eligible to be sold until the Company trades on a Senior Exchange. The consultant is granted anti-dilution protection so that they retain 4.0% of the Company's fully diluted shares outstanding after the Senior Exchange listing, including all shares issued or issuable associated with the Senior Exchange listing. The Company evaluated the agreement and determined that the performance condition was satisfied on July 31, 2023. As such, the Company issued 250,168 shares of Common Stock on July 31, 2023, valued at the then expected IPO price of \$5.00 a share. Upon the completion of the Company's IPO on October 12, 2023, the Company issued 228,656 shares of Common Stock, valued at the IPO price of \$5.00 a share, representing the remaining shares to be issued to the consultant.

On August 28, 2023, the Company repaid an OID Note and, in accordance with the terms of the original note, the Company issued 30,000 shares of Common Stock to Emmis Capital on August 28, 2023.

Preferred Stock

On February 13, 2023, the Company designated 11,000 shares of the authorized preferred stock as Series A Convertible Preferred Stock. The holders of the Series A Convertible Preferred Stock do not have voting rights, redemption rights, dividend rights, anti-dilution rights, nor liquidation rights. Each share of the Series A Preferred Stock will automatically convert into shares of the Company's common stock upon the earlier of the closing date of the Company's IPO or upon a change in control of the Company. Upon the Company's IPO, the value of each share will be converted to common stock at a 30% discount of the IPO price.

La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Note 6 — Commitments and Contingencies

Leases

The Company has operating leases for office space in several states. Lease terms are negotiated on an individual basis. Generally, the leases have initial terms ranging from one to five years. Renewal options are typically not recognized as part of the right of use assets and lease liabilities as it is not reasonably certain at the lease commencement date that the Company will exercise these options to extend the leases. Leases with an initial term of twelve-months or less that do not include an option to purchase the underlying asset are not recorded on the consolidated balance sheets and are expensed on a straight-line basis over the lease term.

The Company leases its corporate office from an entity controlled by the Company's CEO. In addition, some of the entities acquired in the fourth quarter of 2023 and the first quarter of 2024 lease their offices from their former owners, who now hold a minority interest in those entities.

Lease costs for the three-month periods ended March 31, 2024 and 2023 were \$207,915 and \$31,465, respectively, and are included in general and administrative expenses in the condensed consolidated statements of operations.

Supplemental cash flow information related to leases is as follows:

	Three Months Ended March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities	\$ 89,936	\$ —
Right-of-use assets obtained in exchange for lease liabilities	\$ 384,112	\$ —

During the first nine months quarter of fiscal year 2023, 2024, the Company issued 1,523 shares acquired three franchisees, two of which had remaining lease terms beyond twelve months, resulting in an increase of \$187,350 in right-of-use assets and lease liabilities.

Supplemental balance sheet information related to leases is as follows:

	March 31, 2024	December 31, 2023
Assets:		
Right-of-use assets	\$ 983,230	\$ 687,570
Liabilities:		
Lease liability, current	\$ 406,162	\$ 340,566
Lease liability, noncurrent	591,609	363,029
	<u>\$ 997,771</u>	<u>\$ 703,595</u>

The Company's leases do not provide a readily determinable implicit discount rate. The Company estimates its Series A Convertible Preferred Stock incremental borrowing rate as the discount rate based on the information available at lease commencement. The weighted average discount rate is 7.94%.

La Rosa Holdings Corp. and Subsidiaries

Notes to 77 accredited sophisticated investors, raising \$1,523,000. During the first half Interim Unaudited Condensed Consolidated Financial Statements
Future maturities on lease liabilities as of fiscal year 2023, March 31, 2024, are as follows:

	March 31, 2024
2024 – remainder of year	\$ 379,661
2025	334,264
2026	251,104
2027	146,243
2028	16,639
Total minimum lease payments	1,127,911
Less: imputed interest	(130,140)
Present value of lease obligations	997,771
Less: current portion	(406,162)
Long-term portion of lease obligations	\$ 591,609

There were no leases with residual value guarantees.

Legal Proceedings

From time to time the Company exchanged 18 is involved in litigation, claims, and other proceedings arising in the ordinary course of business. Such litigation and other proceedings may include, but are not limited to, actions relating to employment law and misclassification, intellectual property, commercial or contractual claims, brokerage or real estate disputes, or other consumer protection statutes, ordinary-course brokerage disputes like the convertible promissory notes, representing an aggregate amount failure to disclose property defects, commission disputes, and vicarious liability based upon conduct of principal and accrued interest of \$598,836, for 591 shares of its Series A Preferred Stock at an exchange rate of \$1,000 per share. In March 2023, the Company exchanged, the Convertible Original Issue Discount Promissory Note and the remaining Promissory Notes to Joseph La Rosa, representing an aggregate amount of principal and accrued interest of \$1,324,631, for 1,321 shares of its Series A Preferred Stock at an exchange rate of \$1,000 per share. And on December 31, 2022, a loan of \$556,268 from Celebration Office Condos LLC, a company owned by Mr. La Rosa, was forgiven for one share of Series A Preferred Stock which was issued in March 2023.

Upon the first day of trading individuals or entities outside of the Company's stock control, including agents and third-party contractor agents. Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur.

On February 13, 2023, Mr. Mark Gracy, who served as the Company's Chief Operating Officer from November 18, 2021 to November 15, 2022, filed a civil lawsuit in the Circuit Court of Osceola County, Florida, seeking a jury trial and claiming that the Company breached his employment agreement by reducing his salary and failing to pay him his full severance payments and is looking for payment of his alleged severance of \$249,000. On April 11, 2023, the Company filed a motion to dismiss Mr. Gracy's complaint, which is still pending.

On September 5, 2023, Mr. Anthony Freitas, who was an alleged independent contractor of La Rosa Realty, LLC from January 13, 2013 until June of 2021, filed an amended complaint in the Circuit Court of Osceola County, Florida, seeking a jury trial and claiming that the Company breached his contract and is looking for payment of commissions on alleged closed real estate sales as an independent contractor in the amount unspecified but allegedly including actual damages, compensatory damages, attorney's fees, costs, and prejudgment interest. On October 12, 2023, the Company filed a motion to dismiss Mr. Freitas' complaint, which is still pending.

La Rosa Holdings Corp. and Subsidiaries
Notes to the Interim Unaudited Condensed Consolidated Financial Statements

On January 3, 2024, Ms. Sarah Palmer filed a putative national class action complaint against La Rosa Realty, LLC in the United States District Court, Middle District of Florida, Orlando Division. Ms. Palmer alleges that she received two (2) brief pre-recorded calls one week apart to her cell phone from La Rosa Realty, LLC presenting her an employment opportunity as a real estate agent. Ms. Palmer seeks an undisclosed amount of monetary damages from La Rosa Realty, LLC for the alleged would-be injurious, isolated and opportunistic employment gestures to her through a purported nationwide class action. Ms. Palmer claims that the defendant violated her privacy, annoyed and harassed her, constituted a nuisance, and occupied her telephone line. On March 12, 2024 La Rosa Realty, LLC filed a motion to dismiss the case with prejudice, which is still pending.

The Company believes that the above claims are without merit, and it will vigorously defend against such claims. Moreover, these claims, in the aggregate, would not have a material adverse effect on the Nasdaq stock exchange on October 10, 2023, Company's financial condition, business, or results of operations, should the 3,436 shares Company's defense not be successful in whole or in part. Except as stated herein, there is no other action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Series A Preferred Stock outstanding automatically converted into 981,676 shares of common stock based on the IPO price of \$5.00, our executive officers, threatened against or affecting our Company or our officers or directors in their capacities as such.

Note 7 — Warrants

Warrants are issued to consultants as compensation or as part of certain debt offerings capital raises which entitle the holder to purchase shares of the Company's common stock at a fixed price. As of March 31, 2024, the Company's stock price was \$1.66.

Warrants issued to two investors who loaned money to the Company, Emmis Capital II, LLC and the Company's CEO, Joseph La Rosa, on November 14, 2022 and December 2, 2022, respectively, included full ratchet antidilutive protections. The original warrants each covered 50,000 shares at a strike price of \$5.00. The February 20, 2024 debt raise transaction required the Company to issue a warrant to Alexander Capital with a strike price of \$1.50 (the fair market value of the Company's common stock at the time of issuance). In accordance with the full ratchet antidilutive terms, the warrants were adjusted to reflect the strike price of the warrant issued to Alexander Capital and the number of shares covered by each of the warrants granted increased to 166,667. The difference in 2022 were set when the Company completed fair value between each warrant immediately before and after the pricing agreement related to trigger was, in aggregate, \$230,667, which is considered a deemed dividend that increased the Company's IPO with the Company's underwriters on October 9, 2023, which was set at \$5.00.

basic net loss per share for common stockholders.

At September 30, 2023 March 31, 2024, warrants outstanding that have vested and are expected to vest are as follows (unaudited):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Vested	514,387	\$ 3.29	3.87	\$ 56,700
Expected to vest	145,000	3.37	5.42	—
Total	659,387	\$ 3.31	4.21	\$ 56,700

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Vested	140,000	\$ 9.29	3.71	—
Expected to vest	—	—	—	—
Total	140,000	\$ 9.29	3.71	—

La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

There was no

Additional information with respect to warrant activity activity:

	Number of Shares	Weighted Average Exercise Price
Balance — December 31, 2023	423,334	\$ 3.72
Granted	236,053	2.56
Balance — March 31, 2024	<u>659,387</u>	<u>\$ 3.31</u>

On February 20, 2024, the Company entered into a securities purchase agreement with an accredited investor for the nine-month period ending September 30, 2023. The number issuance of a senior secured promissory note. As part of the transaction, the Company issued two warrants, the first gives the investor the option to purchase 120,000 shares under warrant at September 30, 2023 was 140,000 of the Company's common stock with a weighted average an exercise price of \$9.29. \$3.00, exercisable until the five-year anniversary of the closing date. The second warrant gives the investor the option to purchase 95,000 shares of the Company's common stock with an exercise price of \$2.25. The second warrant will only become exercisable if the note is not fully paid on or before the maturity date, at which point the warrant is exercisable until the five-year anniversary of the vesting date. The second warrant will be cancelled and extinguished if the note is fully paid on or before the note maturity date.

Under an agreement between the Company and the Company's underwriter, Alexander Capital, the Company issued a warrant to Alexander Capital as a result of the issuance of the promissory note on February 20, 2024. The holder of the warrant has the right to purchase 21,053 shares of the Company's common stock with an exercise price of \$1.50, exercisable until the five-year anniversary of the grant date.

As of March 31, 2024 and December 31, 2023, there was no unrecognized expense related to warrants.

The valuation methodology used to determine the fair value of the warrants was the Black-Scholes option-pricing model. The Black-Scholes model requires the use of a number of assumptions including volatility of the stock price, the average risk-free interest rate, and the weighted average expected life of the warrant.

Estimated volatility is a measure of the amount by which the Company's stock price is expected to fluctuate each year during the expected life of the award. The Company's estimated volatility is an average of the historical volatility of peer entities over the shorter of i) the period equal to the expected life of the award or ii) the period over which the peer company was publicly traded. The Company uses the historical volatility of peer entities due to the lack of sufficient historical data of its stock price.

The risk-free interest rate assumption is based upon observed interest rates on zero coupon U.S. Treasury bonds whose maturity period is appropriate for the term of the award at the grant date.

The weighted average fair value of warrants granted in the first quarter of 2024 and the assumptions used in the Black-Scholes model are set forth in the table below.

	March 31, 2024
Weighted average fair value	\$ 0.86
Dividend yield	—
Expected volatility factor	77.5 %
Risk-free interest rate	4.3 %
Expected life (in years)	5.4

La Rosa Holdings Corp. and Subsidiaries
Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Note 8 — Stockholders' Equity
Common Stock Issuances

On February 20, 2024, the Company entered into a securities purchase agreement with an accredited investor for the issuance of a senior secured promissory note. As part of September 30, 2023, no unrecognized amortization the transaction, the Company issued 67,000 shares of financing fees related the Company's common stock as a commitment fee. The value of the shares was allocated to warrants granted was outstanding.
the debt discount.

In February 2024, the Company executed a service agreement with a service provider for efforts to initiate the Company's brokerage business in Texas. The Company issued 5,000 shares of the Company's unregistered, restricted common stock to the service provider, which were issued on February 22, 2024 and valued at \$1.32 per share resulting in \$6,589 of stock-based compensation expense.

In September 2023, the Company executed a consulting agreement with a service provider to supply certain investor relations services post-IPO. The Company extended the agreement in March 2024 and issued 225,000 shares of the Company's unregistered, restricted common stock, which were issued on March 13, 2024 and valued at \$1.76 per share resulting in \$396,000 of stock-based compensation expense.

During the first quarter of 2024, the Company purchased three of the Company's franchises. The purchase price for all three entities were settled by the issuance of an aggregate of 546,423 unregistered, restricted shares of the Company's common stock. See Note 2 — Business Combinations for additional information.

Stock Option Awards

Stock options are awards issued to employees and directors that entitle the holder to purchase shares of the Company's stock at a fixed price. Options issued prior to the Company's IPO on October 12, 2023 have a strike price equal to the IPO price of \$5.00 per share.

For the nine-month period three-month periods ended September 30, 2023, March 31, 2024 and 2023, the Company recorded stock-based compensation of

\$46,136 (unaudited) for stock option employees and directors awards which is included in general of \$2.787 million and administrative expense on the condensed consolidated statements of operations. There was no stock-based compensation for stock option awards during the three-month period ended September 30, 2023. There was no stock-based compensation for stock option awards recorded for the three- and nine-month period ended September 30, 2022. \$46 thousand, respectively. The Company did not realize any tax benefits associated with share-based compensation for the three- three-month periods ended March 31, 2024 and nine-month period ended September 30, 2023, 2023, as the Company recorded a valuation allowance on all deferred tax assets.

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La Rosa Holdings Corp. and Subsidiaries
Notes to the Interim Unaudited Condensed Consolidated Financial Statements

At September 30, 2023 March 31, 2024, options outstanding that have vested and are expected to vest are as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Vested	80,000	\$ 5.00	8.64	—
Expected to vest	—	—	—	—
Total	80,000	\$ 5.00	8.64	—

There was no

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Vested	3,585,310	\$ 1.79	9.74	\$ 284,528
Expected to vest	20,000	1.70	9.92	—
Total	3,605,310	\$ 1.79	9.74	\$ 284,528

Additional information with respect to stock option activity for activity:

	Number of Shares	Weighted Average Exercise Price
Balance — December 31, 2023	1,392,125	\$ 2.02
Granted	2,213,185	1.65
Balance — March 31, 2024	3,605,310	\$ 1.79

La Rosa Holdings Corp. and Subsidiaries

Notes to the nine-month period ending September 30, 2023. Interim Unaudited Condensed Consolidated Financial Statements

The number of shares under option at September 30, 2023 was 80,000 with a weighted average exercise price fair value of \$5.00 per share.

Stock options granted in the first quarter of 2024 and the assumptions used in the Black-Scholes model are set forth in the table below.

	March 31, 2024
Weighted average fair value	\$ 1.27
Dividend yield	—
Expected volatility factor	67.8 %
Risk-free interest rate	4.0 %
Expected life (in years)	10.0

As of September 30, 2023 March 31, 2024, unrecognized compensation expense related to stock option awards totaled \$25,458. As of December 31, 2023, there was no unrecognized compensation expense related to stock option awards. As

Restricted Stock Units

On February 1, 2024, a Restricted Stock Unit ("RSU") covering 4,000 shares granted to the Company's Chief Technology Officer ("CTO") vested. The Company withheld 1,187 shares to cover payroll tax withholding and issued 2,813 shares to the executive. The Company also granted a new RSU to the CTO on February 1, 2024, which will vest on the first anniversary of December 31, 2022, unrecognized the grant.

For the three-month periods ending March 31, 2024 and 2023, the Company recorded \$2,871 and \$23,178, respectively, of share-based compensation expense related to stock option awards totaled \$46,136, all the RSUs. As of which was recognized in 2023.

Equity Incentive Plan

On January 10, 2022, the Company adopted the La Rosa Holdings Corp. 2022 Equity Incentive Plan (the "2022 Plan") pursuant to which a maximum of 5,000,000 shares of common stock of the Company were authorized to be issued pursuant to the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units and performance shares. Persons eligible to receive awards under the 2022 Plan include employees, consultants, and directors of the Company. The plan is administered by the Compensation Committee of the Board of Directors. On October 20, 2023, the Company filed a Form S-8 to register the securities in the 2022 Plan.

Restricted Stock Units and Employment Grants

During July 2022, the Company made agreements with 89 real estate agents and employees who provide services to the Company that they would be issued restricted stock units under the Company's 2022 Equity Incentive Plan covering approximately \$1.96 million in value, which were issued upon the first day of trading of the Company's common stock on the Nasdaq stock exchange on October 10, 2023, covering 391,972 shares. The restricted stock units vested immediately upon issuance. To cover employees' payroll withholding tax liability, the Company netted 35,466 shares of Common Stock from the employee awards.

On February 1, 2023, the Company granted 4,000 shares of common stock to its Chief Technology Officer. The Company estimated the value of the grant based on the assumed initial public offering price of \$5.00 and recorded share-based compensation of \$20,000 (unaudited). In addition, the Chief Technology Officer will receive a future grant of 4,000 on February 1, 2024, which will be issued under the Company's 2022 Equity Incentive Plan, and the Company records stock-based compensation expense for the new grant ratably over the one-year vesting period. The Company also valued the new award using the assumed initial public offering price of \$5.00 a share. For the three- and nine-month periods ending September 30, 2023, the Company recorded \$5,041 (unaudited) and \$13,205 (unaudited), respectively, of share-based compensation expense, and as of September 30, 2023 March 31, 2024, unrecognized compensation expense related to the awards was \$6,795, the majority of which will be recognized in 2023. The share-based compensation expense is recorded as general and administrative expense on the condensed consolidated statements of operations. \$5,815. The Company did not realize any tax benefits associated with share-based compensation for the three- and nine-month three-month periods ended September 30, 2023, March 31, 2024 and 2023, as the Company recorded a valuation allowance on all deferred tax assets.

Note 9 — Earnings Per Share

Basic loss per share of common stock attributable to common stockholders is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted loss per share of common stock attributable to common stockholders is computed by giving effect to all potential shares of common stock, including those related to the Company's outstanding warrants, options and RSUs, to the extent dilutive. For all periods presented, these potential shares were excluded from the calculation of diluted loss per share because their inclusion would be anti-dilutive. As a result, diluted loss per common share is the same as basic loss per common share for all periods presented. Two outstanding warrants covering the Company's common stock included full ratchet antidilutive features. The features were triggered during the first quarter of fiscal year 2024, reducing the strike price for both warrants from \$5.00 to \$1.50 and the number of shares from 50,000 to 166,667. The difference in the fair value between each warrant immediately before and after the trigger, in aggregate, was \$230,667, which is considered a deemed dividend that increased the basic net loss per share for common stockholders.

The following table sets forth common stock equivalents that have been excluded from the computation of dilutive weighted average shares outstanding as their inclusion would have been antidilutive:

	Three Months Ended March 31,	
	2024	2023
Warrants	659,387	373,334
Options	3,605,310	80,000
Restricted stock units	4,000	—
Future equity shares	—	90,000
Total	4,268,697	543,334

La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Future Equity Awards

During 2022, the Company issued future equity awards to lenders of the Company, including the Company's CEO, Joseph La Rosa. The awards were to be issued at the earlier of the maturity of the associated debt or when the Company completes an initial public offering.

The OID

Note issued on November 14, 2022 was repaid by the Company on August 28, 2023. In accordance with the terms of the original note, the Company issued 30,000 shares of common stock to Emmis Capital on the repayment date. The Company estimated the fair value of the shares issued at \$5.00 per share, which was the estimated price of the Company's IPO.

Additional information with respect to future equity awards:

	Number of Shares	Gr D. F Va
Balance – December 31, 2022	90,000	\$
Granted	—	
Issued	(30,000)	
Expired or forfeited	—	
Balance – September 30, 2023	60,000	\$

Subsequent to September 30, 2023, the Company completed its IPO. As a result, the Company issued 60,000 shares to the Company's CEO, Joseph La Rosa, with a value of \$5.00 per share, which was the IPO price, in accordance with the debt agreement the Company executed in December 2022.

NOTE 7 - SEGMENTS**10 — Segments**

The Company's business is organized into five material reportable segments which aggregate 100% of revenue: Real Estate Brokerage Services (Residential); Franchising Services; Coaching Services; Property Management; and Real Estate Brokerage Services (Commercial).

- 1) Real Estate Brokerage Services (Residential)
- 2) Franchising Services
- 3) Coaching Services
- 4) Property Management
- 5) Real Estate Brokerage Services (Commercial)

The reporting segments follow the same accounting policies used in the preparation of the Company's Company's condensed consolidated financial statements. The following represents the information for the Company's reportable segments for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

	Three Months Ended March 31,	
	2024	2023
Revenue by segment		
Real estate brokerage services (residential)	\$ 10,237,749	\$ 3,289,981
Franchising services	144,381	304,644
Coaching services	132,993	131,537
Property management	2,544,587	2,274,593
Real estate brokerage services (commercial)	29,189	40,881
	<u>\$ 13,088,899</u>	<u>\$ 6,041,636</u>
Cost of goods sold by segment		
Real estate brokerage services (residential)	\$ 9,204,021	\$ 2,991,973
Franchising services	130,089	109,168
Coaching services	73,005	66,899
Property management	2,514,968	2,245,886
Real estate brokerage services (commercial)	4,819	—
	<u>\$ 11,926,902</u>	<u>\$ 5,413,926</u>
Gross profit by segment		
Real estate brokerage services (residential)	\$ 1,033,728	\$ 298,008

Franchising services	14,292	195,476
Coaching services	59,988	64,638
Property management	29,619	28,707
Real estate brokerage services (commercial)	24,370	40,881
	<u>\$ 1,161,997</u>	<u>\$ 627,710</u>

La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue by segment				
Real Estate Brokerage Services (Residential)	3,848,991	3,674,149	\$ 11,851,678	\$ 12,896,795
Franchising Services	217,450	235,607	734,235	822,410
Coaching Services	182,393	164,653	464,603	512,553
Property Management	2,512,810	2,035,126	7,169,786	5,897,105
Real Estate Brokerage Services (Commercial)	30,606	22,357	100,304	77,810
	<u>6,792,250</u>	<u>6,131,892</u>	<u>\$ 20,320,606</u>	<u>\$ 20,206,673</u>
Cost of goods sold by segment				
Real Estate Brokerage Services (Residential)	3,525,248	3,548,703	\$ 10,886,249	\$ 12,024,450
Franchising Services	119,491	468	338,073	3,091
Coaching Services	97,607	77,315	241,476	249,778
Property Management	2,474,125	1,956,177	6,983,494	5,720,862
Real Estate Brokerage Services (Commercial)	280	-	870	-
	<u>6,216,751</u>	<u>5,582,663</u>	<u>\$ 18,450,162</u>	<u>\$ 17,998,181</u>
Gross profit (loss) by segment				
Real Estate Brokerage Services (Residential)	323,743	125,446	965,429	872,345
Franchising Services	97,959	235,139	396,162	819,319
Coaching Services	84,786	87,338	223,127	262,775
Property Management	38,685	78,949	186,292	176,243
Real Estate Brokerage Services (Commercial)	30,326	22,357	99,434	77,810
	<u>575,499</u>	<u>549,229</u>	<u>\$ 1,870,444</u>	<u>\$ 2,208,492</u>

The following table disaggregates the Company's revenue based on the type of sale or service and the timing of satisfaction of performance obligations for the three and nine months ended September 30: March 31, 2024 and 2023, respectively.

	Three Months Ended March 31,	
	2024	2023
Performance obligations satisfied at a point in time	\$ 9,992,319	\$ 3,203,393
Performance obligations satisfied over time	3,096,580	2,838,243
	<u>\$ 13,088,899</u>	<u>\$ 6,041,636</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Performance obligations satisfied at a point in time	\$ 3,948,963	\$ 4,236,131	\$ 12,106,595	\$ 13,484,424
Performance obligations satisfied over time	2,843,287	1,895,761	8,214,011	6,722,249
Revenue	<u>\$ 6,792,250</u>	<u>\$ 6,131,892</u>	<u>\$ 20,320,606</u>	<u>\$ 20,206,673</u>

NOTE 8 - SUBSEQUENT EVENTS

Due from related party

In

Note 11 — Subsequent Events

Franchise Acquisition

On April 18, 2024, the past, Company completed an acquisition of 51% of the membership interests of La Rosa Realty LLC has provided interest-free, due on demand advances to La Rosa Insurance Lakeland LLC, a Florida limited liability company controlled by the Company's chief executive officer. The outstanding balance was \$45,413 (unaudited) as of September 30, 2023. As a newly publicly traded company, La Rosa Holdings Corp. must comply with the Sarbanes-Oxley Act of 2002 and specifically

Section 402, which amended the Securities Exchange Act of 1934 to prohibit companies from making most personal loans to their directors and executive officers. During the fourth quarter of 2023, upon the Company completing its IPO, the Compensation Committee reviewed the advance and determined that the existing related party receivable would be charged as part of the Company's chief executive officer's annual bonus as specified in his employment agreement.

Initial Public Offering

On October 12, 2023 the Company completed its IPO and sold 1,000,000 shares of its common stock, par value \$0.0001, at a price to the public of \$5.00 per share, resulting in gross proceeds of \$5,000,000. The Company received net proceeds of \$4,360,000 after underwriter discounts, commissions, and expenses. The Company also reclassified \$3,529,192 of deferred offering costs as of September 30, 2023 to additional paid in capital upon completing the IPO. The Company used the proceeds to repay existing debt and accrued interest of approximately \$375,000, related party debt of approximately \$150,000, existing accounts payable of \$1,000,000, and \$550,000 toward the purchase of two franchised La Rosa offices.

Series A Preferred Stock Conversion to Common Stock

Upon the first day of trading of the Company's common stock on the Nasdaq stock exchange on October 10, 2023, the 3,436 shares of Series A Preferred Stock outstanding automatically converted into 981,676 shares of common stock based on the IPO price of \$5.00.

Debt Conversion to Common Stock

Upon the first day of trading of the Company's common stock on the Nasdaq stock exchange on October 10, 2023, the convertible debt with a principal balance of \$25,000 and accrued interest of \$1,265 was converted into 6,566 shares of the Company's unregistered, restricted common stock based on the IPO price of \$5.00.

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La Rosa Holdings Corp. and Subsidiaries

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Repayment of Debt

On October 12, 2023, the Company completed its IPO and a portion franchisee of the net proceeds was used to repay existing lenders that held debt with principal balances totaling \$320,000 and accrued interest of \$55,197.

Issuance of Restricted Stock Units

Prior to the IPO, the Company made agreements with 89 real estate agents and employees who provide services to the Company that they would be issued restricted stock units under the Company's 2022 Equity Incentive Plan covering approximately \$1.96 million in value, which were issued upon the first day of trading of the Company's common stock on the Nasdaq stock exchange on October 10, 2023, covering 391,972 shares. The restricted stock units vested immediately upon issuance. To cover employees' payroll withholding tax liability, the Company netted 35,466 shares of Common Stock from the employee awards.

Issuance of Common Stock

On October 12, 2023, the Company completed its IPO and, as a result, the Company issued 60,000 shares of unregistered, restricted common stock to the Company's CEO, Joseph La Rosa, with a value of \$5.00 per share, in accordance with the debt agreement the Company executed in December 2022.

Upon the repayment of a note payable to one of the Company's lenders, the Company issued 5,000 shares of unregistered, restricted common stock with a value of \$5.00 per share in accordance with the debt agreement.

Upon the closing of the Company's IPO, the Company issued 1,143,450 shares of common stock with a value of \$5.00 per share to certain third-party service providers in accordance with the respective contractual agreements.

In September 2023, the Company executed a consulting agreement with a service provider to supply certain investor relations services. The Company made a deposit payment of \$100,000 in September and paid the remainder of the contract in October for \$325,000 in cash and 125,000 shares of the Company's unregistered, restricted common stock, which were issued on October 13, 2023 and valued at \$3.00 per share.

After September 30, 2023, the Company executed six consulting agreements with third-party service providers to supply certain services to the Company. The Company issued 594,000 purchase price was \$873,902, which was settled by the issuance of an aggregate of 514,939 unregistered, restricted shares of the Company's common stock based on \$1.60 per share, the closing price of the Company's common stock for the previous trading day and \$50,000 in cash. Concurrently the selling member entered into a lock-up/leak out agreement with the Company pursuant to which the selling member may not sell more than one-twelfth of their common shares per calendar month during the one year period commencing after the six-month holding period under Rule 144 promulgated under the Company's 2022 Equity Incentive Plan between October 26, 2023 and November 2, 2023 Securities Act of 1933, as amended (the "Securities Act"), with a weighted-average value of \$1.20 per share.

Issuance of Stock Options subject to Non-Management Board of Directors applicable securities laws.

Debt Issuance

On November 1, 2023 April 1, 2024, the Company entered into a securities purchase agreement with the same accredited investor for the capital raise on February 20, 2024 for the issuance of a senior secured promissory note with an aggregate principal amount of \$1,316,000. The note has an original issue discount of 5% and a coupon rate of 13% per annum. In addition, the Company

issued 50,000 shares of the Company's common stock **options** as a commitment fee, a warrant to purchase 150,000 shares of the Company's common stock with an exercise price of \$3.00, exercisable until the five-year anniversary of the closing date, and a second warrant to purchase 152,300 shares of the Company's common stock with an exercise price of \$2.25. The second warrant will only become exercisable if the note is not fully paid on or before the maturity date, at which point the warrant is exercisable until the five-year anniversary of the vesting date. The second warrant will be cancelled and extinguished if the note is fully paid on or before the note maturity date. The Company also agreed to register the securities issued to the investor by filing a registration statement with the U.S. Securities and Exchange Commission within ninety (90) calendar days from the date of the agreement. The investor also has a security interest in certain property of the Company and its non-management board subsidiaries to secure the prompt payment, performance, and discharge in full of directors in lieu all of paying the directors their cash board fees they had accrued since Company's obligations under the initiation of their term through September 30, 2023, which totaled \$375,052. **note**. The Options cover 412,125 principal amount and interest under the note are convertible into shares of the Company's common stock at a strike conversion price of \$1.28 with a ten-year term. The options immediately vested upon grant, and \$2.50 per share unless the Company extinguished fails to make an amortization payment when due, in which case the accrued liability recorded at September 30, 2023. *conversion price shall be the lower of \$2.50 or the trading price of the shares. The securities purchase agreement contains customary representations and warranties and agreements and obligations of the parties. The proceeds of the note will be used for business development and general working capital purposes.*

Purchase of Two Franchises

On October 13, 2023, the Company completed its acquisition of 51% of the interest in La Rosa Realty Lake Nona, Inc. ("Lake Nona"). Lake Nona provides residential and commercial real estate brokerage services to the public primarily through sales agents. The Company also provides coaching and support services to agents on a fee basis. Lake Nona shareholders received 324,998 unregistered, restricted shares of the Company's common stock valued at \$5.00 a share and \$50,000 in cash. The Company plans to finalize the purchase accounting within the measurement period, which may include adjustments to the fair values of assets acquired and liabilities assumed. The preliminary acquisition date fair value of the consideration totaled \$1,674,990.

On October 16, 2023, the Company completed its acquisition of 51% of the interest in Horeb Kissimmee Realty, LLC ("Kissimmee"). Kissimmee provides residential and commercial real estate brokerage services to the public primarily through sales agents. The Company also provides coaching and support services to agents on a fee basis. Kissimmee members received 513,626 unregistered, restricted shares of the Company's common stock valued at \$5.00 a share and \$500,000 in cash. The Company plans to finalize the purchase accounting within the measurement period, which may include adjustments to the fair values of assets acquired and liabilities assumed. The preliminary acquisition date fair value of the consideration totaled \$3,068,130.

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ITEM

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

The following discussion and analysis are intended to help investors understand our business, financial condition, results of operations, liquidity, and capital resources. You should read this discussion together with our consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. The share and per share amounts for all periods reflect the completion of the Reverse Stock Split, which was effective on March 21, 2022 and the 2-for-1 Forward Stock Split which was effective on April 17, 2023.

As discussed in the section titled "Cautionary Statement Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, 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"), which include information relating to future events, future financial performance, financial projections, strategies, expectations, competitive environment and regulation. Words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar expressions, as well as statements in the future tense, identify forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and may not be accurate indications of when such performance or results will be achieved. Forward-looking statements are based on information we have when those statements are made or management's good faith belief as of that time with respect to future events and are subject to significant risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- our expectations regarding consumer trends in residential real estate transactions;
-
- our expectations regarding overall economic and demographic trends, including the continued growth of the U.S. residential real estate market;
-
- our ability to grow our business organically in the various local markets that we serve;
-
- our ability to attract and retain additional qualified agents and other personnel;
-
- our ability to expand our franchises in both new and existing markets;
-
- our ability to increase the number of closed transactions sides and sides per agent;
-
- our ability to cross-sell our services among our subsidiaries;
-
- our ability to maintain compliance with the law and regulations of federal, state, foreign, county and local governmental authorities, or private associations and governing boards;
-
- our ability to expand, maintain and improve the information technologies and systems that we rely upon to operate;
-

- our ability to prevent security breaches, cybersecurity incidents and interruptions, delays and failures of our technology infrastructure;
- our ability to retain our founder and current executive officers and other key employees;
- our ability to identify quality potential acquisition candidates in order to accelerate our growth;

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- our ability to manage our future growth and dependence on our agents;
 -
 - our ability to maintain the strength of our brands;
 -
 - our ability to maintain and increase our financial performance;
 -
- the market price for our common stock may be particularly volatile given our status as a relatively unknown company with a small and thinly traded public float, and minimal profits, which could lead to wide fluctuations in our share price;
-
- there have recently been recent instances of extreme stock price run-ups followed by rapid price declines and stock price volatility seemingly unrelated to company performance following a number of recent initial public offerings, particularly among companies, like ours, that have had relatively smaller public floats;
-
- sales of our common stock by us or our stockholders, including the Selling Stockholders, which may result in increased volatility in our stock price; and
-
- other factors, including the risks contained in the section entitled “Risk Factors” of our prospectus annual report on Form 10-K for the fiscal year ended December 31, 2023, filed with the U.S. Securities Exchange Commission (“SEC” or “Commission”) on October 10, 2023 pursuant to Rule 424(b)(1) under the Securities Act, relating to our registration statement on Form S-1 as originally filed with the Commission on April 19, 2022 (File No. 333-264372) April 16, 2024, as amended, relating to our industry, our operations, and results of operations.

The foregoing does not represent an exhaustive list of matters that may be covered by the forward-looking statements contained herein or risk factors that we are faced with that may cause our actual results to differ from those anticipated in our forward-looking statements.

Moreover, new risks regularly emerge, and it is not possible for our management to predict or articulate all risks we face, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ from those contained in any forward-looking statements. All forward-looking statements included in this Quarterly Report on Form 10-Q are based on information available to us on the date of this Quarterly Report on Form 10-Q. Except to the extent required by applicable laws or rules, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained above and throughout this Quarterly Report on Form 10-Q.

Business Overview

Business Overview

We operate as the holding company for five agent-centric, technology-integrated, cloud-based, multi-service real estate segments. Our primary business, La Rosa Realty, LLC, has been listed in the “Top 75 Residential Real Estate Firms in the United States” from 2016 through 2020 by the National Association of Realtors, the leading real estate industry trade association in the United States.

In addition to providing person-to-person residential and commercial real estate brokerage services to the public, we cross sell ancillary technology-based products and services primarily to our sales agents and the sales agents associated with our franchisees. Our business is organized based on the services we provide internally to our agents and to the public, which are residential and commercial real estate brokerage, franchising, real estate brokerage education and coaching, and property management. Our real estate brokerage business operates primarily under the trade name La Rosa Realty, which we own, and, to a lesser extent, under the trade name Better Homes Realty which we license. We have 21 La Rosa Realty corporate real estate brokerage offices and branches located in Florida, California, Texas, and Georgia. We have 16 La Rosa Realty franchised real estate brokerage offices and branches and two affiliated real estate brokerage offices that pay us fees in two states in the United States residential and Puerto Rico. Our real estate market. brokerage offices, both corporate and franchised, are staffed with 2,454 licensed real estate brokers and sales associates as of March 31, 2024.

We have built our business by providing the home buying public with well trained, knowledgeable realtors who have access to our proprietary and third-party in-house technology tools and quality education and training, and valuable marketing that attracts some of the best local realtors who provide value-added services to our home buyers and sellers that are attracted to our brands. We give our real estate brokers and sales agents who are seeking financial independence a turnkey solution and support them in growing their brokerages while they fund their own businesses. This enables us to maintain a low fixed-cost business with several recurring revenue streams, yielding relatively high margins and cash flow.

Our agent-centric commission model enables our sales agents to obtain higher net commissions than they would otherwise receive from many of our competitors in our local markets. We believe that agents who join our Company from the major real estate brokerage firms have increased their income by an average of approximately forty percent (40%). They can then use this additional income to reinvest in their businesses or as take-home profit. This is a strong incentive for them to compete against the discount, flat fee and internet brokerages that have sprung up in the past several years. Instead of us taking a greater share of their income, our agents pay what we believe to be reduced rates for training and mentorship and our proprietary technology. Our franchise model has a similar pricing methodology, permitting the franchise owner the freedom to operate their business with minimal control and lower expense than other franchise offerings.

Moreover, we believe that our proprietary technology, training, and the support that we provide to our agents at a minimal cost to them is one of the best offered in the industry. We are currently in the process of developing and deploying our own proprietary technology which will further decrease our overall expenses as we eliminate the need for outside technology services.

A significant driver

At the end of our past growth, 2023, the Company entered into a strategic partnership with Final Offer, a consumer-facing offer management and we believe, our future growth negotiation platform driven by agents. Final Offer is our ability a technology platform that is designed to create revenue by referring or requiring our agents and our franchisees' agents use of business services that we provide. For example, all agents new to our Company are required to have a "coach" and to attend multi-day training sessions to learn the Company's philosophy, technology, and business practices. Concurrently, the agent works with his or her coach in obtaining listings, working with consumers, and closing transactions. All these activities are run through our La Rosa Coaching, LLC subsidiary which teaches advanced techniques for team building, personal growth, and business development, which we believe will enhance our revenue at a nominal increase in cost to us. In addition, unlike other residential real estate brokerages, we encourage our sales agents to pursue commercial simplify real estate transactions, enabling buyers to make successful offers and require them sellers to utilize maximize the services outcome of our commercial their sales. Final Offer's online process allows sellers to establish a minimum sales price and other deal terms online and pre-approved buyers to make binding offers. If a seller sets a "Final Offer" price and terms, an interested buyer can accept it instantly, putting the property under contract. We believe that the Final Offer's innovative platform is designed to empower both real estate company, La Rosa CRE, LLC. agents and their clients with real-time transparency, streamlining the offer management and negotiation process, creating a fair playing field for all while also providing accountability and trust.

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Our agent centric methodology, our advanced technology, and ancillary services, such as property management, will enable us to organically grow our agent base with virtually no incremental cost.

In environments with increasing mortgage rates and declining sales transactions, we believe our model March 2024, the Company officially launched Final Offer. Final Offer is more attractive available to real estate agents, who retain more of their commission proceeds compared brokers on the Company's platform in key markets across Florida and Georgia, with plans to traditional brokerage models. In fact, we have organically increased our agent count by just under four percent year-to-date in 2023 over 2022. expand the offering across the organization.

In order to continue to provide cutting edge technology and provide best-in-class coaching and education, we increased our pricing structure effective September 1, 2023, including increasing our agent annual fees and monthly fees, the fixed transaction fee, technology and accounting fees, and property management fees. The fee increases are the first in over two years.

To maximize the utility quarter of our technological infrastructure, we anticipate acquiring additional brokerage firms that will increase our agent count. We also expect to acquire other complementary businesses, such as title and insurance agencies and a mortgage brokerage. We continue to evaluate opportunities to drive our near-term and long-term growth.

On October 12, 2023, we consummated our initial public offering ("IPO") pursuant to a registration statement on Form S-1 (File No: 333-264372), which was declared effective by the SEC on October 4, 2023, and we became an Exchange Act reporting company pursuant to a Form 8-A, as amended (File No. 001-41588) on October 4, 2023. On the IPO, we sold 1,000,000 shares of its common stock, par value \$0.0001, at a price to the public of \$5.00 per share, resulting in gross proceeds of \$5,000,000. We received net proceeds of \$4,360,000 after underwriter discounts, commissions, and expenses. We used the proceeds to repay existing debt and accrued interest of approximately \$375,000, related party debt of approximately \$150,000, existing accounts payable of \$1,000,000, and to fund certain acquisitions, noted below. The remaining funds will be used for general corporate purposes, including continuing to develop propriety technology and to consider accretive acquisitions.

As disclosed by the Company in the current report on Form 8-K filed with the Commission on October 19, 2023, o n October 13, 2023 and on October 16, 2023, 2024, we acquired controlling interests in two majority ownership of our franchisees: Horeb Kissimmee Realty, LLC and the following franchisees of the Company: La Rosa Realty Lake Nona, Inc., Georgia, LLC, La Rosa Realty California, and 100% ownership of La Rosa Realty Winter Garden LLC. In April 2024, we also acquired majority ownership of La Rosa Realty Lakeland LLC, our franchisee.

We intend to continue growing our business organically and by acquisition.

It is management's intention to acquire additional franchisees in 2024. We continuously look to search for a total consideration potential acquisition targets. Management is in discussions with several franchisees; however, any future agreements may have terms that are materially different than the terms of \$4,743,127, including \$550,000 in cash from completed acquisitions. We cannot guarantee that the proceeds from our IPO, Company will actually enter into any binding acquisition agreements with any of those companies. If we do, we cannot assure you that the remainder in common stock. terms of such acquisitions will be substantially the same or better for the Company than those of completed acquisitions.

Description of Our Revenues

Our financial results are primarily driven by the total number of sales agents in our Company, the number of sales agents closing residential real estate transactions, the number of sales agents utilizing our coaching services, the number of agents who work with our franchisees, and the number of properties under management. We grew increased our agent count by just under four 4%, from 2,378 at September 30, 2022 March 31, 2023 to 2,471 at September 30, 2023 March 31, 2024.

The majority of our revenue is derived from a stable set of fees paid by our brokers, franchisees, and consumers. We have multiple revenue streams, with the majority of our revenue derived from commissions paid by consumers who transact business with our and our franchisees' agents, royalties paid by our franchisees, dues and technology fees paid by our sales agents, our franchisees, and our franchisees' agents. Our major revenue streams come from such sources as: (i) residential real estate brokerage revenue, (ii) revenue from our property management services, (iii) franchise royalty fees, (iv) fees from the sale or renewal of franchises and other franchise revenue, (v) coaching, training and assistance fees, (vi) brokerage revenue generated transactionally on commercial real estate, and (vii) fees from our events and forums.

The majority of our revenue is derived from fees and dues based on the number of agents working under the La Rosa Realty brand. Due to the low fixed cost structure of both our Company and franchise models, the addition of new sales agents generally requires little incremental investment in capital or infrastructure. Accordingly, the number of commission producing sales agents in our Company and our franchisees is the most important factor affecting our results of operations and the addition of new agents can favorably impact our revenue and our earnings before interest, taxes, depreciation and amortization ("EBITDA"). Historically, the number of agents in the residential real estate industry has been highly correlated with overall home sale transaction activity. We believe that the number of agents and those that produce commissions in our network is the primary statistic that drives our revenue. Another major factor is the cyclical nature of the real estate industry that has peaks and valleys depending on macroeconomic conditions that we cannot control. And finally, our revenues fluctuate based on the changes in the aggregate fee revenue per sales agent as a significant portion of our revenue

is tied to various fees that are ultimately tied to the number of agents, including annual dues, continuing franchise fees, and certain transaction or service-based fees. Our revenue per agent also increases in other ways including when transaction sides and transaction sizes increase since a portion of our revenue comes from fees tied to the number and size of real estate transactions closed by our agents.

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Key factors affecting our performance

As a result of a number of factors, our historical results of operations may not be comparable to our results of operations in future periods, and our results of operations may not be directly comparable from period to period. Set forth below is a brief discussion of the key factors impacting our results of operations.

Seasonality

Our business is affected by the seasons and weather. The spring and summer seasons, when school is out, have typically resulted in higher sales volumes compared to fall and winter seasons. With the slowdown in the later months, we have experienced slower listing activity, fewer transaction closings and lower revenues and have seen more agent turnover as well. Bad weather or natural disasters also negatively impact listings and sales which reduces our operating income, net income, operating margins and cash flow. While this pattern is fairly predictable, there can be no assurance that it will continue. Moreover, with the impact of climate change, we expect more business disruptions in the coming years, many of which could be unpredictable and extreme.

Our revenues and operating margins will fluctuate in successive quarters due to a wide variety of factors, including seasonality, weather, health exigencies, holidays, national or international emergencies, the school year calendar's impact on timing of family relocations, and changes in mortgage interest rates. This fluctuation may make it difficult to compare or analyze our financial performance effectively across successive quarters.

Inflation and Market Interest Rates

The U.S. Federal Reserve continues to take action intended to address sharp increases in inflation. The Federal Reserve Board increased the federal funds rate to a range of 525 to 550 basis points as of July 2023 March 20, 2024 from a range of 0 to 25 basis points as of the first quarter of 2022. These increases have impacted interest rates, which have significantly contributed to rising mortgage rates. During the second half of 2022, the benchmark 30 year fixed conforming mortgage rate rose above 6% for the first time since 2008, according to Freddie Mac data, and has reached a recent peak of about 8% during the second half of 2023. That interest rate stood at 6.87% as of March 21, 2024. Consequently, housing demand is softening, prices are flattening, rising, consumer sentiment has weakened, and home sales are declining. In September of 2023, the existing home sales market declined 15.4% compared to September of 2022 according to the National Association of Realtors. This decline had an adverse impact on consumer demand for our services, as consumers weighed the financial implications of selling or purchasing a home. Continuing poor economic and housing market conditions including a potential recession, would adversely affect our operating performance and results of operations.

Recent Legal Challenges to Sales Agents' Commission Structure

Recent developments in the real estate industry have seen increased scrutiny and legal challenges related to the structure of real estate agent commissions. Legal actions and regulatory inquiries have been initiated to examine the fairness, transparency, and potential anticompetitive practices associated with the traditional commission model. Courts and regulatory bodies may be increasingly focused on ensuring transparency in commission structures, potentially leading to reforms that impact the earnings and business models of real estate professionals. Changes in legislation or legal precedents could impact the standard practices of commission-sharing between listing agents and buyer's agents and may adversely affect our business model and revenues.

On October 31, 2023, a federal jury in Missouri found that NAR and certain companies conspired to artificially inflate brokerage commissions, which violates federal antitrust law. The judgment was appealed on October 31, 2023, while these and other plaintiffs have filed similar lawsuits against a number of other large real estate brokerage companies. We have not, as of the date hereof, been named as a defendant in any antitrust litigation. On or about March 15, 2024, NAR agreed to settle these lawsuits, by agreeing to pay \$418 million over approximately four years, and changing certain of its rules surrounding agent commissions. This settlement resolves claims against NAR and nearly every NAR member; all state, territorial and local REALTOR® associations; all association-owned MLSs; and all brokerages with an NAR member as principal whose residential transaction volume in 2022 was \$2 billion or below and is subject to court approval. Due to this litigation, there will be rule changes for the NAR. In the settlement, effective mid-July 2024, NAR has agreed to put in place a new rule prohibiting offers of compensation on the MLS, as well as adopt new rules requiring written agreements between buyers and buyers' agents. However, the direct and indirect effects, if any, of the judgment upon the real estate industry are not yet entirely clear.

There could also be further changes in real estate industry practices. All of this has prompted discussion of changes to rules established by local or state real estate boards or multiple listing services. All of this may require changes to many brokers' business models, including changes in agent and broker compensation. For example, we will likely have to develop mechanisms and a plan that enable buyers and sellers to negotiate commissions. The Company will continue to monitor ongoing and similar antitrust litigation against our competitors. However, the litigation and its ramifications could cause unforeseen turmoil in our industry, the impacts of which could have a negative effect on us as an industry participant.

Cybersecurity

Our business faces cybersecurity risks that could have a material adverse effect on our business operations, financial condition, and reputation. Key factors contributing to cybersecurity risks include, but are not limited to:

- **Constantly Evolving Threat Landscape:** The landscape of cybersecurity threats is constantly evolving, with new attack vectors, malware, and vulnerabilities emerging regularly. We may not be able to anticipate or mitigate all potential threats effectively.
- **Data Vulnerability:** We collect, store, and process sensitive customer and corporate data, making us a target for cybercriminals seeking to steal or exploit this information. A data breach could lead to financial and legal liabilities, including regulatory fines and customer trust erosion.

- **Third-Party Risks:** Our reliance on third-party service providers exposes us to risks associated with their cybersecurity practices. A breach or security failure in a third-party system could impact our operations and data.
- **Phishing and Social Engineering:** Employees and individuals connected to our organization may be susceptible to phishing attacks or social engineering tactics that compromise security. Human error or manipulation can lead to breaches.
- **Regulatory Compliance:** We are subject to various data protection and privacy regulations, and non-compliance could result in legal and financial penalties. Adhering to these regulations requires ongoing efforts and resources.
- **Business Interruption:** A cyberattack or system breach may disrupt our operations, affecting our ability to serve customers, fulfill orders, and maintain revenue, resulting in financial losses.
- **Reputation Damage:** A publicized cybersecurity incident can significantly damage our brand and reputation, leading to customer churn and reduced market confidence.

Additionally, on July 26, 2023, the SEC adopted new cybersecurity disclosure rules for public companies that require disclosure regarding cybersecurity risk management (including the corporate board's role in overseeing cybersecurity risks, management's role and expertise in assessing and managing cybersecurity risks, and processes for assessing, identifying and managing cybersecurity risks) in annual reports. These new cybersecurity disclosure rules also require the disclosure of material cybersecurity incidents in a Form 8-K, generally within four days of determining an incident is material. We will be subject to such annual report disclosure requirements starting with have included respective disclosures in our 2024 Annual Report on Form 10-K and we for fiscal year ended December 31, 2023 filed with the Commission on April 16, 2024. We will be subject to such Form 8-K disclosure requirements starting June 15, 2024.

We may at times fail (or be perceived to have failed) in our efforts to comply with our privacy and data security obligations. Moreover, despite our efforts, our personnel or third parties on whom we rely on may fail to comply with such obligations, which could negatively impact our business operations.

Any failure or perceived failure by us or third parties upon whom we rely to comply with obligations, relating to privacy and data security may result in significant consequences including but not limited to governmental investigations and enforcement actions (e.g., investigations, fines, penalties, audits, inspections, and similar), litigation, additional reporting requirements and/or oversight, bans on processing personal data, and orders to destroy or not use personal information.

Any of these events could have a material adverse effect on our reputation, business, or financial condition, including but not limited to loss of customers; interruptions or stoppages in our business operations; inability to process personal information; limited ability to develop or commercialize our products; expenditure of time and resources to defend any claim or inquiry; adverse publicity; or substantial changes to our business model or operations.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles and the Company's discussion and analysis of its financial condition and operating results require the Company's management to make judgments, assumptions and estimates that affect the amounts reported. Note 1, "Summary Basis of Presentation and Summary of Significant Accounting Policies" of the Notes to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q and in the Notes to the consolidated financial statements included in our Annual Report on Form S-1 declared effective by the SEC on October 4, 2023 10-K for fiscal year ended December 31, 2023 describe the significant accounting policies and methods used in the preparation of the Company's condensed consolidated financial statements. There have been no material changes to the Company's critical accounting estimates since the registration statement Annual Report on Form S-1 declared effective by the SEC on October 4, 2023 10-K as of December 31, 2023.

Recent Accounting Pronouncements

See Note 1, "Summary Basis of Presentation and Summary of Significant Accounting Policies" of the Notes to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Results of Operations

Revenue

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
Real Estate Brokerage Services (Residential)	\$ 3,848,991	\$ 3,674,149	\$ 174,842	5%	\$ 11,851,678	\$ 12,896,795	\$ (1,045,117)	-8%
Franchising Services	217,450	235,607	(18,157)	-8%	734,235	822,410	(88,175)	-11%
Coaching Services	182,393	164,653	17,740	11%	464,603	512,553	(47,950)	-9%
Property Management	2,512,810	2,035,126	477,684	23%	7,169,786	5,897,105	1,272,681	22%
Real Estate Brokerage Services (Commercial)	30,606	22,357	8,249	37%	100,304	77,810	22,494	29%
Total Revenue	<u>\$ 6,792,250</u>	<u>\$ 6,131,892</u>	<u>\$ 660,358</u>	<u>11%</u>	<u>\$ 20,320,606</u>	<u>\$ 20,206,673</u>	<u>\$ 113,933</u>	<u>1%</u>

	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Real Estate Brokerage Services (Residential)	\$ 10,237,749	\$ 3,289,981	\$ 6,947,768	211%
Franchising Services	144,381	304,644	(160,263)	(53)%
Coaching Services	132,993	131,537	1,456	1%
Property Management	2,544,587	2,274,593	269,994	12%
Real Estate Brokerage Services (Commercial)	29,189	40,881	(11,692)	(29)%
Total Revenue	<u>\$ 13,088,899</u>	<u>\$ 6,041,636</u>	<u>\$ 7,047,263</u>	<u>117%</u>

Real Estate Brokerage Services (Residential)

Residential real estate services sales revenue increased \$175 thousand, by approximately \$6.9 million, or 5% 211%, in the three months ended September 30, 2023 March 31, 2024 as compared to the three months ended September 30, 2022, primarily due to an March 31, 2023. The increase was driven by approximately \$7.6 million of revenue from the six acquisitions completed in the fourth quarter of fiscal year 2023 and the three acquisitions completed in the first quarter of fiscal year 2024, offset by a 36% decrease in total transaction volume. We increased our transaction fee, and monthly agent fee, and annual fee effective September 1, 2023, partially offset by a decrease in transaction which, if volume by 14%.

Residential returns to 2023 levels, real estate brokerage services sales revenue, decreased \$1,045 thousand, or 8%, in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, primarily due to a decrease in residential brokerage transaction volume, which year-to-date was down 14%, which is primarily attributable to a rise in interest rates, partially offset by an excluding incremental acquisition revenue, will increase in agent count of 4%.2024.

Franchising Services

Franchising services revenue decreased \$18 by approximately \$160 thousand, or 8% 53%, in the three months ended September 30, 2023 March 31, 2024 as compared to the three months ended September 30, 2022 and decreased \$88 thousand, or 11%, March 31, 2023. The decrease was attributable from the six acquisitions completed in the nine months ended September 30, 2023 compared fourth quarter of fiscal year 2023 and the three acquisitions completed in the first quarter of fiscal year 2024, which no longer contribute to franchising royalties fees, which would have totaled approximately \$174 thousand in the nine months ended September 30, 2022. While our first quarter of 2024. Our remaining franchisees saw a similar decrease in volume related to the same market conditions in our residential services, which negatively impacted our franchise charges are directly related to franchise income, number of agents, as well as other price and volume related fees, which amplified the decrease in franchise franchising royalty fee revenue.

Coaching Services

Coaching services revenue increased \$18 by approximately \$1 thousand, or 11% 1%, in the three months ended September 30, 2023 March 31, 2024 as compared to the three months ended September 30, 2022 March 31, 2023, primarily due to an increase in an emphasis of our coaching program, which increased our coaching volume, along with additional ancillary coaching services that started at the end of the June 2023. Coaching services revenue decreased \$48 thousand, or 9%, in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 primarily partially offset due to the reduction in our residential transaction volume.

Property Management

Property management revenue increased \$478 by approximately \$270 thousand, or 23% 12%, in the three months ended September 30, 2023 March 31, 2024 as compared to the three months ended September 30, 2022, and increased \$1,273 thousand, or 22%, in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 March 31, 2023, primarily due to a significant an increase in the number of properties under management along with a management fee price increase effective September 1, 2023.

Cost of Revenues and Gross Margin

	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Real Estate Brokerage Services (Residential)	\$ 1,033,728	\$ 298,008	\$ 735,720	247 %
Gross Margin	10.1 %	9.1 %	1.0 %	
Franchising Services	\$ 14,292	\$ 195,476	\$ (181,184)	(93) %
Gross Margin	9.9 %	64.2 %	(54.3) %	
Coaching Services	\$ 59,988	\$ 64,638	\$ (4,650)	(7) %
Gross Margin	45.1 %	49.1 %	(4.0) %	
Property Management	\$ 29,619	\$ 28,707	\$ 912	3 %
Gross Margin	1.2 %	1.3 %	(0.1) %	
Real Estate Brokerage Services (Commercial)	\$ 24,370	\$ 40,881	\$ (16,511)	(40) %
Gross Margin	83.5 %	100.0 %	(16.5) %	
Total Gross Profit	\$ 1,161,997	\$ 627,710	\$ 534,287	85 %
Total Gross Margin	8.9 %	10.4 %	(1.5) %	

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30, 2023	September 30, 2022	\$	%	September 30, 2023	September 30, 2022	\$	%
Real Estate Brokerage Services (Residential)	\$ 323,743	\$ 125,446	\$ 198,297	158%	\$ 965,429	\$ 872,345	\$ 93,084	11%
Gross Margin	8.4%	3.4%	5.0%		8.1%	6.8%	1.4%	
Franchising Services	\$ 97,959	\$ 235,139	\$ (137,180)	-58%	\$ 396,162	\$ 819,319	\$ (423,157)	-52%
Gross Margin	45.0%	99.8%	-54.8%		54.0%	99.6%	-45.7%	
Coaching Services	\$ 84,786	\$ 87,338	\$ (2,552)	-3%	\$ 223,127	\$ 262,775	\$ (39,648)	-15%
Gross Margin	46.5%	53.0%	-6.6%		48.0%	51.3%	-3.2%	
Property Management	\$ 38,685	\$ 78,949	\$ (40,264)	-51%	\$ 186,292	\$ 176,243	\$ 10,049	6%
Gross Margin	1.5%	3.9%	-2.2%		2.6%	3.0%	-0.4%	
Real Estate Brokerage Services (Commercial)	\$ 30,326	\$ 22,357	\$ 7,969	36%	\$ 99,434	\$ 77,810	\$ 21,624	28%
Gross Margin	99.1%	100.0%	-0.9%		99.1%	100.0%	-0.9%	
Total Gross Profit	\$ 575,499	\$ 549,229	\$ 26,270	5%	\$ 1,870,444	\$ 2,208,492	\$ (338,048)	-15%
Total Gross Margin	8.5%	9.0%	-0.4%		9.2%	10.9%	-1.7%	

Real Estate Brokerage Services (Residential)

Costs related to residential real estate brokerage services decreased \$23 thousand, increased by approximately \$6.2 million, or 1% 208%, in the three months ended September 30, 2023 March 31, 2024 as compared to the three months ended September 30, 2022 March 31, 2023. The decrease in costs increase was primarily due to a reduction in transaction volume. The increase in revenue and decrease in driven by approximately \$6.9 million of cost of revenue increased from the gross margin of the residential real estate brokerage services, reaching 8.4%, which is six acquisitions completed in the range fourth quarter of our historical results.

Costs related to residential real estate brokerage services decreased \$1,138 fiscal year 2023 and the three acquisitions completed in the first quarter of fiscal year 2024. The gross profit increased by approximately \$736 thousand, or 9% 247%, in for the nine three months ended September 30, 2023 March 31, 2024 as compared to the nine three months ended September 30, 2022, which declined proportionality with March 31, 2023 primarily attributable to the decline in related revenue. The decrease gross profit from acquisitions.

Franchising Services

Costs of revenue for franchising services increased by approximately \$20 thousand, or 19%, in the cost three months ended March 31, 2024 as compared to the three months ended March 31, 2023, related to the increase costs of revenue was greater than the decrease in revenue, which increased our gross margin to 8.1%.

Franchising Services

During 2023, the Company incurred external software costs that supports the Company's franchises, which is directly used to manage real estate transactions that generates revenue. The software is classified as a cost of revenue, and the Company expects to continue to use the software for the foreseeable future. franchises. The gross profit of franchising services has decreased by about 50% for the three- and nine-month periods three-month period ending September 30, 2023, March 31, 2024 over the comparable prior year period, which is offset by a decrease attributable to the reduction in general the cost of revenue due to the acquisitions of the nine franchises in the fourth quarter of 2023 and administrative costs. the first quarter of 2024.

Coaching Services

Costs of revenue related to coaching services increased \$20 by approximately \$6 thousand, or 26% 9%, in the three months ended September 30, 2023 March 31, 2024 as compared to the three months ended September 30, 2022, and decreased \$8 thousand, or 3%, in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 March 31, 2023. Costs related to coaching services moved proportionally with is related to the change augmentation of the coaching program. The gross margin is relatively consistent in related revenue.

the three-month periods ended March 31, 2024 and 2023.

Property Management

Costs of revenue related to property management services increased \$516 by approximately \$269 thousand, or 26% 12%, in the three months ended September 30, 2023 March 31, 2024 as compared to the three months ended September 30, 2022, and increased \$1,263 thousand, or 22%, in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 March 31, 2023. The increase in property management costs were was primarily related to the timing of distributions to property owners as well as the increase in properties under management.

The gross margin is consistent in the three-month periods ended March 31, 2024 and 2023.

Selling, General and Administrative Expense

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
Sales and Marketing	\$ 49,277	\$ 52,057	\$ (2,780)	-5%	\$ 242,548	\$ 296,429	\$ (53,881)	-18%
Payroll and benefits	477,852	555,475	(69,023)	-14%	1,454,457	1,509,285	(54,828)	-4%
Rent and other	86,208	83,299	2,909	3%	236,706	148,740	87,966	59%
Professional fees	203,682	334,815	(131,133)	-39%	448,473	446,079	2,394	1%
Office	18,351	(712)	19,063	-2677%	75,226	180,652	(105,426)	-58%
Technology	51,116	177,603	(126,487)	-71%	153,274	548,470	(395,196)	-72%
Insurance, training and Other	101,425	(16,493)	117,918	-715%	304,236	362,721	(58,485)	-16%
Stock-based compensation expense	5,041	—	5,041	NM	79,341	—	79,341	NM
Total SG&A Expenses	\$ 992,952	\$ 1,186,044	\$ (193,092)	-16%	\$ 2,994,261	\$ 3,492,376	\$ (498,115)	-14%

	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Sales and Marketing	\$ 232,727	\$ 91,378	\$ 141,349	155 %
Payroll and benefits	936,492	484,492	452,000	93 %
Rent and other	230,771	34,399	196,372	571 %
Professional fees	310,565	161,272	149,293	93 %
Office	76,969	44,842	32,127	72 %
Technology	75,959	39,171	36,788	94 %
Insurance, training and other	128,205	119,085	9,120	8 %
Public company costs	378,095	—	378,095	NM
Amortization and depreciation	184,799	—	184,799	NM
Total SG&A Expenses	\$ 2,554,582	\$ 974,639	\$ 1,579,943	162 %

NM: Not Meaningful

Selling, general and administrative costs decreased \$193 thousand, increased by approximately \$1.6 million, or 16% 162%, in the three months ended September 30, 2023 March 31, 2024 as compared to the three months ended September 30, 2022 March 31, 2023. Payroll Half of the increase was driven by \$804 thousand of additional costs from the six acquisitions completed in the fourth quarter of fiscal year 2023 and benefits decreased the three acquisitions completed in the first quarter of fiscal year 2024. The remaining increase is primarily attributable to approximately \$378 thousand in public company costs, including listing costs, printer costs, transfer agent fees, and investor relation costs and related professional fees, since our initial public offering in October 2023 as well as approximately \$185 thousand of amortization of the intangible assets incurred through the acquisitions in the fourth quarter of 2023 and the first quarter of 2024.

Stock-based compensation

We incurred stock-based compensation of approximately \$3.2 million in the three months ended March 31, 2024, primarily due to changes option grants to our CEO pursuant to the terms of his employment agreement (\$1.9 million), other employees (\$0.9 million), and consultants who provided various services to the company (\$0.4 million). We incurred stock-based compensation of approximately \$69 thousand in the executive management team in 2022. Professional fee expenses decreased due to the reduction in indirect costs related to the Company's efforts to file a registration statement related to the IPO. Technology costs decreased due to Company's efforts to streamline costs and improve productivity. Insurance, training and other expenses increased due to a prior year credit the Company received in the third quarter of 2022.

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Selling, general and administrative costs decreased \$498 thousand, or 14%, in the nine three months ended September 30, 2023 as compared to the nine months ended September 30, 2022. Sales and marketing costs decreased as the Company worked to improve the efficiency of its marketing spend. Payroll and benefits decreased primarily due to changes in the executive management team in 2022. Rent and occupancy increased as the Company leases its corporate office from an entity owned by the chief executive officer. The rent expense was \$118 thousand for the nine-month period ending September 30, 2023. During 2022, no rent expense was charged to the Company for its corporate office. There is no written agreement, and the rent is determined on a month-to-month basis. Office costs, technology costs and insurance, training and other costs all decreased due to the Company's efforts to curtail expenses and improve productivity and efficiency. During 2023, the Company incurred stock-based compensation March 31, 2023 primarily due to option grants given to the non-management directors of our board of directors. directors in February 2022.

Other Income (Expense), Net

Other income, expense, net for the three months ended September 30, 2023 March 31, 2024 was \$74 thousand compared to other expense of \$56 thousand for the three months ended September 30, 2022. The income in 2023 was due to an IRS employee retention credit received for prior tax years, net of legal costs to obtain the credit, partially offset by amortization of financing fees. The expense in 2022 was primarily due to interest expense related to the convertible debt issued in the fourth quarter of 2021. Interest expense in the third quarter of 2023 declined compared to the third quarter of 2022 due to the exchange of convertible debt and related party debt into Series A Preferred Stock in the first half of fiscal year 2023.

Other expense, net for the nine months ended September 30, 2023 was \$612 approximately \$81 thousand compared to other expense, net, of \$31 approximately \$573 thousand for the nine three months ended September 30, 2022 March 31, 2023. The expense in 2024 was due to interest expense and the amortization of financing fees related to the debt raise in February 2024. The expense in 2023 expense was primarily due to costs related to the amortization of financing fees related to convertible debt instruments with embedded equity elements issued in the fourth quarter of fiscal year 2022 along with an increase in interest expense associated with new debt issuances during the fourth quarter of fiscal year 2022, partially offset by a decrease in the revaluation of the derivative liabilities and the IRS employee retention credit received for prior tax years, net of legal costs to obtain the credit. The 2022 expense was due to costs related to the convertible debt issued in the fourth quarter of 2021, namely, amortization of finance fees, fair market value adjustments of the derivative liability related to the convertible notes, and interest expense on the convertible notes. These additional costs were partially offset by an increase in the forgiveness of debt of \$149 thousand for the nine months ended September 30, 2022.liabilities.

Liquidity and Capital Resources

On September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had cash of \$0.3 million approximately \$1.1 million and \$0.1 million \$1.0 million, respectively, on hand. Since 2022, our operations have used cash as we worked toward our IPO and developed our growth strategy. Until such time that we begin receiving a return on our growth strategy, we expect to continue to generate operating losses in the foreseeable future, mostly due to corporate overhead and the costs of being a public company.

In order to fund our operations, during the first nine months of fiscal year 2023, we effectuated a number of transactions that significantly increased our liquidity. We issued 1,523 shares of Series A Convertible Preferred Stock, raising \$1,523,000. On October 12, 2023, we completed our IPO and received net proceeds of \$4,360,000 after underwriter discounts, commissions, and expenses. We used the net proceeds to satisfy existing debt and accrued interest in the aggregate amount of approximately \$375,000, related party debt of approximately \$150,000, and existing accounts payable of \$1,000,000. On October 13, 2023 and on October 16, 2023, we acquired controlling interests in two of our franchisees: Horeb Kissimmee Realty, LLC and La Rosa Realty Lake Nona, Inc., for a total consideration of \$4,743,127, including \$550,000 in cash from the proceeds from our IPO, with the remainder in common stock. The remaining funds are expected to be used to fund our daily operations and to execute our growth strategy.

We are subject to the risks and challenges associated with companies at a similar stage of development. These include dependence on key individuals, successful development and marketing of our its offerings, and competition with larger companies with greater financial, technical, and marketing resources than us.

Since our inception in 2021, we have funded our operations through our revenues and the sale of equity and debt securities.

In October 2023, we raised gross proceeds of \$5,000,000 through our sale of 1,000,000 shares of common stock in the initial public offering for \$5.00 per share, with net proceeds of \$4,360,000.

In February 2024, we received \$1,000,000 in net proceeds, excluding debt issuance costs of \$188 thousand, through our private sale of a 13% OID secured promissory note in the principal amount of \$1,052,632 for a purchase price of \$1,000,000 to an accredited investor.

In April 2024, we received \$1,250,200 in net proceeds, excluding debt issuance costs of \$128 thousand, through our private sale of a 13% OID senior secured promissory note in the principal amount of \$1,316,000 for a purchase price of \$1,250,200 to the same accredited investor in our February 2024 private placement.

Furthermore, during the period required to achieve substantially higher revenue in order to become profitable, we may finance future cash needs through public or private equity offerings, debt financings, or corporate collaborations and licensing arrangements. Additional will require additional funds may that might not be readily available when we need them or might not be on terms that are acceptable to us, or at all. To the extent Until such time that we raise additional funds by issuing equity securities, fully implement our stockholders may experience additional dilution, growth strategy, we expect to continue to generate operating losses in the foreseeable future, mostly due to corporate overhead and debt financing, if available, may involve restrictive covenants. To the extent costs of being a public company. As such, we anticipate that we raise additional funds through collaborations our existing working capital, including cash on hand and licensing arrangements, it may be necessary to relinquish some rights to our technologies or applications or grant licenses on terms that may cash generated from operations, will not be favorable sufficient to us. We may seek to access the public or private capital markets whenever conditions are favorable, even if we do not have an immediate need for additional capital at that time. We believe that our cash availability and access to financing is sufficient for operations meet projected operating expenses for the next foreseeable future through at least twelve months from the issuance date of this report, quarterly report on Form 10-Q. We will be required to raise additional capital to service the two promissory notes issued in the first half of 2024, to repay the principal balance of each of the notes, and to fund ongoing operations.

We have incurred recurring net losses, and our operations have not provided net positive cash flows. In view of these matters, there is substantial doubt about our ability to continue as a going concern. We plan on continuing to expand via acquisition, which will help achieve future profitability, and we have plans to raise capital from outside investors, as we have done in the past, to fund operating losses and to provide capital for further business acquisitions. We cannot provide any assurance that we can successfully raise the capital needed on favorable terms, if at all.

On November 24, 2023, the Company received written notification from the staff (the "Staff") of Nasdaq indicating that the Company no longer meets Nasdaq Listing Rule 5550(b)(2) requiring the Company to maintain a minimum market value of listed securities ("MVLS") of \$35 million. The notice was based on a review of the Company's MVLS for the past 30 consecutive business days. Nasdaq's listing rules provided the Company with a compliance period of 180 calendar days, or until May 22, 2024, in which to regain compliance. On April 18, 2024, the Company received a written notification from the Staff informing the Company that it has regained compliance with Nasdaq Continue Listing Rules by satisfying Nasdaq's Equity Standard under Listing Rule 5550(b) based on the Company's stockholders' equity reported on the Company's Annual Report on Form 10-K for the period ending December 31, 2023 and the matter is now closed.

Summary of Cash Flows

	Nine Months Ended September 30,	
	2023	2022
Net Cash Used in Operating Activities	\$ (450,785)	\$ (644,958)
Net Cash Provided by Financing Activities	\$ 818,314	\$ 367,621

	Three Months Ended March 31,	
	2024	2023
Net Cash Used in Operating Activities	\$ (538,305)	\$ (271,917)
Net Cash Provided by Investing Activities	\$ 98,612	\$ —
Net Cash Provided by Financing Activities	\$ 679,404	\$ 474,666

Cash Flows from Operating Activities

During the nine three months ended September 30, 2023 March 31, 2024, operating activities consumed \$0.5 million of the Company's our cash on hand, which was primarily attributable to the net loss of \$1.7 million \$1.2 million, excluding stock-based compensation, amortization and depreciation, partially offset by non-cash interest expense, amortization of original issue discount, and the amortization of debt discount and financing fees of \$0.9 million and changes in working capital of \$0.3 million, \$0.6 million, mostly due to an increase in accounts payable and an increase in contract liabilities.

Cash Flows from Investing Activities

During the nine three months ended September 30, 2022 March 31, 2024, operating activities consumed \$0.6 million we purchased three acquisitions with capital stock. Each of the Company's cash which was primarily attributable three acquisition had an aggregate amount of \$0.1 million of cash. See Note 2, "Business Combinations" of the Notes to the net loss condensed consolidated financial statements in Part I, Item 1 of \$1.5 million, excluding this Form 10-Q for additional information regarding the non-cash loan forgiveness of \$0.2 million, partially offset by contributions from working capital of \$0.6 million, non-cash interest expense and amortization of debt discount and financing fees of \$0.2 million, and a provision for doubtful accounts of \$0.1 million.

acquisitions.

Cash Flows from Financing Activities

During the nine three months ended September 30, 2023 March 31, 2024, the Company we received net cash of \$0.8 million in provided by financing activities of \$0.7 million, which was primarily attributable to included the proceeds from the of our debt issuance of the Series A Convertible Preferred Stock of \$1.5 million and an advance on future receipts of \$0.5 million, partially offset by cash paid for deferred offering costs of \$0.6 million, payments on notes payable of \$0.3 million, and payments on the advance on future receipts of \$0.3 million.

During the nine months ended September 30, 2022, the Company received cash of \$0.4 million in financing activities attributable to proceeds from related party debt, notes payable, convertible debt, and borrowing on the bank line February 2024 of credit totaling \$1.0 million, offset by cash paid for deferred offering debt issuance costs of \$0.4 million \$0.2 million and distributions of \$0.2 million. payments to notes payable, post-acquisition consideration, and advances on future receipts.

ITEM

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this item.

ITEM

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15

(e) 13a-15(e) and 15d-15(e) under the Exchange Act. Disclosure controls and procedures are controls and other procedures designed to ensure that the information required to be disclosed by us in the reports that we file or submit 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 us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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As of the end of the period covered by this Quarterly Report on Form 10-Q, we

We conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are ineffective were not effective as of March 31, 2024, as we are a newly publicly traded company with limited resources in our finance department, and we are in the process of establishing our procedures around our disclosure controls controls.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(t) and 15d-15(f) under the Exchange Act, during the three months fiscal quarter ended September 30, 2023 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

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become are involved in legal lawsuits, claims, investigations, and proceedings, or be subject to claims arising including pending opposition proceedings involving patents that arise in the ordinary course of our business.

On July 14, 2023, a writ of garnishment was issued naming La Rosa Realty, LLC, a subsidiary of the Company, as a purported garnishee for an alleged, but not actual, employee or contractor, Marc Cameron, in the Seventh Judicial Circuit Court of St. Johns' County, Florida. On October 31, 2023, the Plaintiff voluntarily dismissed the action.

On February 13, 2023, Mr. Mark Gracy, who served as our Chief Operating Officer from November 18, 2021 to November 15, 2022, filed a civil lawsuit in the Circuit Court of Osceola County, Florida, seeking a jury trial and claiming There are no matters pending that the Company breached his employment agreement by reducing his salary and failing we expect to pay him his full severance payments and is looking for payment of his alleged severance of \$249,000.00. On April 11, 2023, the Company filed a motion to dismiss Mr. Gracy's complaint, which is still pending.

On September 5, 2023, Mr. Anthony Freites, who was an alleged independent contractor of La Rosa Realty, LLC from January 13, 2013 until June of 2021, filed an amended complaint in the Circuit Court of Osceola County, Florida, seeking a jury trial and claiming that the Company breached his contract and is looking for payment of commissions on alleged closed real estate sales as an independent contractor in the amount unspecified but allegedly including actual damages, compensatory damages, attorney's fees, costs, and prejudgment interest. On October 12, 2023, the Company filed a motion to dismiss Mr. Freites' complaint, which is still pending.

The Company believes that the above claims are without merit, and it will vigorously defend against such claims. Moreover, these claims, in the aggregate, would not have a material adverse effect impact on the Company's financial condition, our business, or results of operations, should the Company's defense not be successful financial condition, or cash flows, except as set forth below.

The occurrence of an unfavorable outcome in whole or in part. Except as stated herein, there is no other action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of our executive officers, threatened against or affecting our Company or our officers or directors in their capacities as such.

ITEM 1A. RISK FACTORS.

We may have violated Section 13(k) of the Exchange Act (implementing Section 402 of the Sarbanes-Oxley Act of 2002) and may be subject to sanctions as a result.

Section 13(k) of the Exchange Act provides that it is unlawful for a company that has a class of securities registered under Section 12 of the Exchange Act to, directly or indirectly, including through any subsidiary, extend or maintain credit in the form of a personal loan to or for any of its directors or executive officers. From February 2017 to July 2023, La Rosa Realty, LLC, a subsidiary of the Company, provided interest free, due on demand advances to La Rosa Insurance LLC, a company owned by the Company's chief executive officer, with an outstanding balance of \$45,413 as of September 30, 2023, which may be deemed to be personal loans made by us to Mr. La Rosa that are not permissible under Section 13(k) of the Exchange Act. Issuers that are found to have violated Section 13(k) of the Exchange Act may be subject to civil sanctions, including injunctive remedies and monetary penalties, as well as criminal sanctions. During the fourth quarter of 2023, upon us completing our IPO, the Compensation Committee reviewed the advance and determined that the existing related party receivable would be charged as part of the Company's chief executive officer's annual bonus as specified in his employment agreement. Notwithstanding, the imposition of any of such sanctions on us specific period could have a material adverse effect on our business, financial position, results of operations for that period or cash flows. future periods. Other than as previously reported Annual Report on Form 10-K for the fiscal year ended December 31, 2023, we have not been and we are not presently a party to any material pending or threatened legal proceedings. Except as described below there have not been any material developments in our pending legal proceedings in the first quarter of 2024.

On January 3, 2024, Ms. Sarah Palmer filed a putative national class action complaint against La Rosa Realty, LLC in the United States District Court, Middle District of Florida, Orlando Division. Ms. Palmer alleges that she received two (2) brief pre-recorded calls one week apart to her cell phone from La Rosa Realty, LLC presenting her an employment opportunity as a real estate agent. Ms. Palmer seeks an undisclosed amount of monetary damages from La Rosa Realty, LLC for the alleged would-be injurious, isolated and opportunistic employment gestures to her through a purported nationwide class action. Ms. Palmer claims that the defendant violated her privacy, annoyed and harassed her, constituted a nuisance, and occupied her telephone line. On March 12, 2024 La Rosa Realty, LLC filed a motion to dismiss the case with prejudice, which is still pending.

ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on April 16, 2024.

ITEM

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

In addition to the issuances of unregistered securities described in the Current Reports on Form 8-K filed by the Company with the SEC, in the first quarter of 2024 the Company issued the following securities which were not registered under the Securities Act.

On February 20, 2024, the Company issued a warrant pursuant to a tail arrangement with a registered broker-dealer. The warrant is exercisable for up to 21,053 shares of common stock for \$1.50, subject to adjustment for stock splits, reorganizations, recapitalizations, and dividends, from the date of issuance until the fifth anniversary date of the date of issuance.

On February 24, 2024, the Company issued 5,000 unregistered shares of the Company's common stock to the minority member of La Rosa Realty Texas LLC in consideration for services rendered in connection with establishing an office in Harrington, Texas.

On March 13, 2024, the Company issued 225,000 unregistered shares of the Company's common stock to a consultant of the Company as consideration for services rendered in connection with an extension of a consulting agreement, dated September 20, 2023, as amended on February 6, 2024.

Unless otherwise noted, the securities above were issued pursuant to the registration requirements of the Securities Act provided by Section 4(a)(2) and/or Rule 506 of Regulation D promulgated under the Securities Act, in light of the fact that none of the issuances involved a public offering of securities and no solicitation or advertisements for such securities were made by any party.

None.

ITEM

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

None.

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ITEM

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM

ITEM 5. OTHER INFORMATION.

None.

None.

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ITEM 6. EXHIBITS.

(a) Exhibits. The following documents are filed as part of this report:

Exhibit

No.:	Description:
31.1*	Certification of Principal Executive Officer pursuant to Securities Exchange Act Rules 13a- 14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Securities Exchange Act Rules 13a- 14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of 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 of 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*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Schema Document
101.CAL*	Inline XBRL Calculation Linkbase Document
101.DEF*	Inline XBRL Definition Linkbase Document
101.LAB*	Inline XBRL Label Linkbase Document
101.PRE*	Inline XBRL Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document filed as Exhibit 101)

* * Filed herewith

** * Exhibits 32.1 and 32.2 are being furnished and shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise specifically stated in such filing.

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SIGNATURES

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.

Date: November 20, 2023
May 15, 2024

Date: May 15, 2024

LA ROSA HOLDINGS CORP.

By: /s/ Joseph La Rosa

Name: Joseph La Rosa
Title: Founder, Chief Executive Officer, and Director
(Principal Executive Officer)

By: /s/ Kent Metzroth
Name: Kent Metzroth
Title: Chief Financial Officer
(Principal Financial Officer)

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Date: November 20, 2023

By: /s/ Kent Metzroth
Name: Kent Metzroth
Title: Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT 31.1

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

I, Joseph La Rosa, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of La Rosa Holdings Corp.;
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 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 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 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 20, 2023May 15, 2024

/s/ Joseph La Rosa

Name: Joseph La Rosa

Title: Founder, Chief Executive Officer, and Director
(Principal Executive Officer)

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

I, Kent Metzroth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of La Rosa Holdings Corp.;
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 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer 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 20, 2023May 15, 2024

/s/ Kent Metzroth

Name: Kent Metzroth

Title: Chief Financial Officer

(Principal Financial Officer)

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Joseph La Rosa, the Chief Executive Officer and President of La Rosa Holdings Corp. (the "Company"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the period ended September 30, 2023 March 31, 2024 (the "Report") of the Company fully complies with the requirements of Section 13(a) and 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 Company.

Dated: November 20, 2023 May 15, 2024

/s/ Joseph La Rosa

Name: Joseph La Rosa

Title: Founder, Chief Executive Officer, and Director
(Principal Executive Officer)

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Kent Metzroth, the Chief Financial Officer of La Rosa Holdings Corp. (the "Company"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the period ended September 30, 2023 March 31, 2024 (the "Report") of the Company fully complies with the requirements of Section 13(a)/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 Company.

Dated: November 20, 2023 May 15, 2024

/s/ Kent Metzroth

Name: Kent Metzroth

Title: Chief Financial Officer

(Principal Financial Officer)

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