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 June 30, 2026

OR

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

Commission file number 001-35955

VUZIX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware **State or other jurisdiction of incorporation or organization**	**04-3392453** **(I.R.S. Employer Identification No.)**
25 Hendrix Road, Suite A **West Henrietta, New York** **(Address of principal executive offices)**	**14586** **(Zip Code)**

Registrant's telephone number, including area code: (585) 359-5900

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

Title of each class:	Trading Symbol(s)	Name of each exchange on which registered:
Common Stock, par value $0.001	VUZI	Nasdaq Capital Market

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

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

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

Large accelerated filer	☐	Accelerated filer	☐	Non-accelerated filer	☒
Smaller reporting company	☒	Emerging growth company	☐		

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

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

As of August 13, 2026, there were 84,414,230 shares of the registrant's common stock outstanding.

Vuzix Corporation
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Part 1: FINANCIAL INFORMATION

Item 1: Consolidated Financial Statements

VUZIX CORPORATION

CONSOLIDATED BALANCE SHEETS

		(Unaudited) June 30, 2026		December 31, 2025
ASSETS				
Current Assets				
Cash and Cash Equivalents	$	17,297,697	$	21,150,213
Accounts Receivable, net of allowance for credit losses of $46,000 at June 30, 2026 and December 31, 2025.		1,099,763		1,627,635
Accrued Revenues in Excess of Billings		497,202		533,665
Other Receivables		95,794		379,615
Inventories, Net		1,757,890		2,188,750
Manufacturing Vendor Prepayments		342,294		256,090
Prepaid Expenses and Other Assets		760,201		1,059,759
Total Current Assets		21,850,841		27,195,727
Long-Term Assets				
Fixed Assets, Net		8,256,901		7,626,238
Operating Lease Right-of-Use Assets, Net		741,329		1,003,025
Patents and Trademarks, Net		3,581,529		3,359,066
Technology Licenses, Net		459,438		559,973
Other Assets, Net		300,000		327,778
Total Assets	$	35,190,038	$	40,071,807
LIABILITIES, MEZZANINE EQUITY, AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable	$	1,445,174	$	685,010
Unearned Revenue		76,477		62,361
Accrued Expenses		1,737,401		3,590,407
Other Taxes Payable		76,061		49,513
Operating Lease Right-of-Use Liabilities		500,911		500,911
Total Current Liabilities		3,836,024		4,888,202
Long-Term Liabilities				
Operating Lease Right-of-Use Liabilities		240,418		502,114
Total Liabilities		4,076,442		5,390,316
Mezzanine Equity				
Preferred Stock - $0.001 Par Value, 5,000,000 Shares Authorized; 419,959 Shares of Series B Preferred Stock Issued and Outstanding as of June 30, 2026 and December 31, 2025		10,000,000		10,000,000
Stockholders' Equity				
Common Stock - $0.001 Par Value, 200,000,000 shares authorized; 84,993,902 shares issued and 84,414,230 shares outstanding as of June 30, 2026 and 81,679,367 shares issued and 81,099,695 shares outstanding as of December 31, 2025		84,994		81,680
Additional Paid-in Capital		438,138,532		426,934,722
Accumulated Deficit		(414,633,429)		(399,858,410)
Treasury Stock, at cost, 579,672 shares as of June 30, 2026 and December 31, 2025		(2,476,501)		(2,476,501)
Total Stockholders' Equity		21,113,596		24,681,491
Total Liabilities, Mezzanine Equity, and Stockholders' Equity	$	35,190,038	$	40,071,807

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

VUZIX CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY

(Unaudited)

	Mezzanine Equity		Stockholders' Equity						
	Series B Preferred Stock		Common Stock		Additional	Accumulated	Treasury Stock		
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Shares	Amount	Total
Balance - April 1, 2026	419,959	$ 10,000,000	83,737,930	$ 83,739	$ 433,355,158	$ (406,967,234)	(579,672)	$ (2,476,501)	$ 23,995,162
Stock-Based Compensation Expense	—	—	76,884	76	654,536	—	—	—	654,612
Stock Option Exercises	—	—	179,088	179	(179)	—	—	—	—
Preferred Stock Dividends	—	—	—	—	—	(37,500)	—	—	(37,500)
Proceeds from ATM Program, Net	—	—	1,000,000	1,000	4,129,017	—	—	—	4,130,017
Net Loss	—	—	—	—	—	(7,628,695)	—	—	(7,628,695)
Balance - June 30, 2026	419,959	$ 10,000,000	84,993,902	$ 84,994	$ 438,138,532	$ (414,633,429)	(579,672)	$ (2,476,501)	$ 21,113,596

	Mezzanine Equity		Stockholders' Equity						
	Series B Preferred Stock		Common Stock		Additional	Accumulated	Treasury Stock		
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Shares	Amount	Total
Balance - January 1, 2026	419,959	$ 10,000,000	81,679,367	$ 81,680	$ 426,934,722	$ (399,858,410)	(579,672)	$ (2,476,501)	$ 24,681,491
Stock-Based Compensation Expense	—	—	135,447	135	1,292,779	—	—	—	1,292,914
Stock Option Exercises	—	—	179,088	179	(179)	—	—	—	—
Preferred Stock Dividends	—	—	—	—	—	(75,000)	—	—	(75,000)
Proceeds from ATM Program, Net	—	—	3,000,000	3,000	9,911,210	—	—	—	9,914,210
Net Loss	—	—	—	—	—	(14,700,019)	—	—	(14,700,019)
Balance - June 30, 2026	419,959	$ 10,000,000	84,993,902	$ 84,994	$ 438,138,532	$ (414,633,429)	(579,672)	$ (2,476,501)	$ 21,113,596

	Mezzanine Equity		Stockholders' Equity						
	Series B Preferred Stock		Common Stock		Additional	Accumulated	Treasury Stock		
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Shares	Amount	Total
Balance - April 1, 2025	—	$ —	76,822,087	$ 76,822	$ 411,406,888	$ (376,160,576)	(579,672)	$ (2,476,501)	$ 32,846,633
Stock-Based Compensation Expense	—	—	—	—	786,552	—	—	—	786,552
Stock Option Exercises	—	—	39,083	39	62,099	—	—	—	62,138
Proceeds from ATM Program, Net	—	—	1,060,194	1,060	2,834,348	—	—	—	2,835,408
Stock Issued under Quanta Securities Purchase Agreement	189,717	5,000,000	—	—	—	—	—	—	—
Net Loss	—	—	—	—	—	(7,666,254)	—	—	(7,666,254)
Balance - June 30, 2025	189,717	$ 5,000,000	77,921,364	$ 77,921	$ 415,089,886	$ (383,826,831)	(579,672)	$ (2,476,501)	$ 28,864,476

	Mezzanine Equity		Stockholders' Equity						
	Series B Preferred Stock		Common Stock		Additional	Accumulated	Treasury Stock		
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Shares	Amount	Total
Balance - January 1, 2025	—	$ —	76,553,694	$ 76,553	$ 407,215,883	$ (367,522,950)	(579,672)	$ (2,476,501)	$ 37,292,985
Stock-Based Compensation Expense	—	—	—	—	3,708,785	—	—	—	3,708,785
Stock Option Exercises	—	—	63,935	64	76,672	—	—	—	76,737
Proceeds from ATM Program, Net	—	—	1,303,735	1,304	4,088,546	—	—	—	4,089,850
Stock Issued under Quanta Securities Purchase Agreement	189,717	5,000,000	—	—	—	—	—	—	—
Net Loss	—	—	—	—	—	(16,303,881)	—	—	(16,303,881)
Balance - June 30, 2025	189,717	$ 5,000,000	77,921,364	$ 77,921	$ 415,089,886	$ (383,826,831)	(579,672)	$ (2,476,501)	$ 28,864,476

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

VUZIX CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Sales:				
Sales of Products	$ 884,296	$ 1,045,310	$ 1,926,674	$ 2,369,383
Sales of Engineering Services	229,202	250,399	578,139	507,267
Total Sales	1,113,498	1,295,709	2,504,813	2,876,650
Cost of Sales:				
Cost of Sales - Products Sold	1,488,456	1,617,346	2,960,628	3,228,076
Cost of Sales - Depreciation and Amortization	73,579	167,349	156,320	344,218
Cost of Sales - Engineering Services	196,874	272,384	411,196	330,844
Total Cost of Sales	1,758,909	2,057,079	3,528,144	3,903,138
Gross Loss	(645,411)	(761,370)	(1,023,331)	(1,026,488)
Operating Expenses:				
Research and Development	3,097,875	2,570,873	6,126,229	5,176,713
Selling and Marketing	1,209,944	1,352,990	2,760,810	2,890,456
General and Administrative	2,682,330	2,756,588	4,816,272	6,717,572
Depreciation and Amortization	118,245	413,483	233,262	818,494
Total Operating Expenses	7,108,394	7,093,934	13,936,573	15,603,235
Loss From Operations	(7,753,805)	(7,855,304)	(14,959,904)	(16,629,723)
Other Income (Expense):				
Investment Income	157,765	135,759	326,167	304,239
Other Taxes	(20,332)	40,772	(36,458)	22,371
Foreign Exchange Gain (Loss)	(12,323)	12,519	(29,824)	(768)
Total Other Income, Net	125,110	189,050	259,885	325,842
Loss Before Provision for Income Taxes	(7,628,695)	(7,666,254)	(14,700,019)	(16,303,881)
Provision for Income Taxes	—	—	—	—
Net Loss	(7,628,695)	(7,666,254)	(14,700,019)	(16,303,881)
Preferred Stock Dividends	(37,500)	(3,493)	(75,000)	(3,493)
Loss Attributable to Common Shareholders	$ (7,666,195)	$ (7,669,747)	$ (14,775,019)	$ (16,307,374)
Basic and Diluted Net Loss per Common Share	$ (0.09)	$ (0.10)	$ (0.18)	$ (0.21)
Weighted-average Shares Outstanding - Basic and Diluted	83,732,630	76,468,186	82,814,749	76,343,911

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

VUZIX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Cash Flows Used In Operating Activities		
Net Loss	$ (14,700,019)	$ (16,303,881)
Non-Cash Adjustments		
Depreciation and Amortization	979,563	1,409,210
Stock-Based Compensation	1,292,914	3,725,755
(Increase) Decrease in Operating Assets		
Accounts Receivable	527,872	394,599
Accrued Revenues in Excess of Billings	36,463	289,833
Other Receivables	283,821	—
Inventories	430,860	1,506,916
Manufacturing Vendor Prepayments	(86,204)	159,713
Prepaid Expenses and Other Assets	299,558	318,091
Increase (Decrease) in Operating Liabilities		
Accounts Payable	760,164	69,017
Accrued Expenses	(2,017,487)	182,567
Unearned Revenue	14,116	(32,874)
Income and Other Taxes Payable	26,548	39,242
Net Cash Flows Used in Operating Activities	(12,151,830)	(8,241,812)
Cash Flows Used in Investing Activities		
Purchases of Fixed Assets	(1,213,562)	(1,340,873)
Investments in Patents and Trademarks	(323,910)	(241,068)
Investments in Other Equity Assets	—	(50,000)
Net Cash Flows Used in Investing Activities	(1,537,472)	(1,631,941)
Cash Flows Provided by (Used in) Financing Activities		
Proceeds from Sale of Preferred and Common Stock to Quanta	—	5,000,000
Proceeds from Exercise of Stock Options	—	51,982
Proceeds from ATM Program, Net	9,914,210	4,089,850
Preferred Dividends Paid	(77,424)	—
Net Cash Flows Provided by (Used in) Financing Activities	9,836,786	9,141,832
Net Increase (Decrease) in Cash and Cash Equivalents	(3,852,516)	(731,921)
Cash and Cash Equivalents - Beginning of Period	21,150,213	18,186,506
Cash and Cash Equivalents - End of Period	$ 17,297,697	$ 17,454,585
Supplemental Disclosures		
Accrued Preferred Dividends included in Accrued Expenses	37,500	3,493
Depreciation and Amortization included in Research and Development Expense	589,981	246,498
Purchases of Fixed Assets included in Accrued Expenses	164,481	937,336

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

VUZIX CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation

The accompanying unaudited consolidated financial statements of Vuzix Corporation (the "Company" or "Vuzix") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, the unaudited consolidated financial statements do not include all information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of the Company's operations for the three and six months ended June 30, 2026 are not necessarily indicative of the results of the Company's operations for the full fiscal year or any other period.

The accompanying interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto of the Company as of and for the year ended December 31, 2025, as reported in the Company's Annual Report on Form 10-K filed with the SEC on March 12, 2026.

Customer Concentrations

For the three months ended June 30, 2026, three customers represented 28%, 20%, and 15%, of total product revenue and two customers represented 51% and 38% of engineering services revenue. For the three months ended June 30, 2025, two customers represented 18% and 12% of total product revenue and two customers represented 54% and 30% of engineering services revenue.

For the six months ended June 30, 2026, two customers represented 16% and 12% of total product revenue and two customers represented 59% and 24% of engineering services revenue. For the six months ended June 30, 2025, one customer represented 23% of total product revenue and four customers represented 37%, 35%, 17%, and 10% of engineering services revenue.

As of June 30, 2026, four customers represented 42%, 13%, 12%, and 11% of accounts receivable. As of December 31, 2025, two customers represented 55% and 35% of accounts receivable.

Fair Value of Financial Instruments

The Company's financial instruments primarily consist of cash and cash equivalents, accounts receivable, accounts payable, unearned revenue, accrued expenses, and income and other taxes payable. As of the consolidated balance sheet dates, the estimated fair values of the financial instruments were not materially different from their carrying values as presented due to the short maturities of these instruments.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of our assets and the satisfaction of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the specific amounts and classifications of assets and liabilities, which might be necessary should we be unable to continue as a going concern.

In accordance with ASC Subtopic 205-40, Presentation of Financial Statements — Going Concern, management is required to evaluate whether conditions or events, considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern within twelve (12) months after the date that the financial statements are issued. The going concern assumption underlies all GAAP financial reporting and presumes that the

Company will continue normal business operations into the foreseeable future, unless such conditions or events raise substantial doubt about the Company's ability to continue as a going concern.

Additional disclosure is required when there is substantial doubt about business continuity or substantial doubt that has not been alleviated by management's mitigation plans. As required under applicable accounting standards, management has concluded that substantial doubt may exist surrounding the Company's ability to meet its obligations within twelve (12) months of the release of the financial statements.

The Company incurred net losses of $14,700,019 for the six months ended June 30, 2026; $32,273,128 for the year ended December 31, 2025; and $73,538,157 for the year ended December 31, 2024. The Company had net cash outflows from operations of $12,151,830 for the six months ended June 30, 2026; $18,789,272 for the year ended December 31, 2025; and $23,739,372 for the year ended December 31, 2024. As of June 30, 2026, the Company had an accumulated deficit of $414,633,429.

The Company's cash requirements going forward are primarily for funding operating losses, research and development, working capital, and capital expenditures. Our cash requirements related to funding operating losses depend upon numerous factors, including new product development activities, research and development costs, our ability to commercialize our products, our products' timely market acceptance, selling prices and gross margins, and other factors. Historically, the Company has met its cash needs primarily through the sale of equity securities. The Company will need to grow its business significantly to become profitable and self-sustaining on a cash flow basis or it will be required to cut its operating costs significantly or raise new equity and/or debt capital.

These historical financial factors initially raise doubt about the Company's ability to continue as a going concern. Management intends to take actions necessary to continue as a going concern, as discussed herein. Management's plans to alleviate the conditions that raise doubt include raising further capital, the implementation of operational improvements, and the curtailment of certain development programs, all of which the Company expects will preserve cash.

Management's plans concerning these matters and managing our liquidity include, among other things:

- Delaying or curtailing discretionary and non-essential operating expenses and capital expenditures not related to near-term product and manufacturing needs and reducing other investing activities for the remainder of our 2026 and 2027 fiscal years;
- The expected profit margin contribution upon the future commencement of volume manufacturing and sales of waveguides from our new waveguide manufacturing plant, particularly to ODM/OEM customers; and
- Continued pursuit of licensing and strategic opportunities around our waveguide technologies with potential ODMs/OEMs, which may include the receipt of upfront licensing fees and on-going supply agreements.

The Company has historically raised capital through the sale of equity securities. The Company filed a Registration Statement on Form S-3 that became effective in May 2024, which includes a sales agreement prospectus for the issuance and sale of up to $50,000,000 of our common stock from time to time under a sales agreement with an investment bank in an "at the market" offering. Since May 2024, the Company has raised $32,380,501, net of broker expenses, including $9,914,210 to date in 2026, under this sales agreement.

Management will continue to utilize the available "at the market" noted above to satisfy obligations as they become due, as well as, monitor the capital markets on an ongoing basis and may consider raising capital under other programs if favorable market conditions develop. If the Company's actual results are less than projected or the Company needs to raise capital for additional liquidity, the Company may be required to pursue additional equity financing, further curtail expenses, or enter into one or more strategic transactions. However, management can make no assurance that the Company will be able to successfully complete any of the aforementioned pursuits on terms acceptable to the Company, or at all.

As a result of management's plan above, our current amount of cash on hand, and our historical ability to raise capital, management has concluded that doubt of our ability to continue as a going concern has been alleviated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at year-end and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Segment Data, Geographic Information and Significant Customers

Operating segments are defined as components of an entity for which separate financial information is available and regularly reviewed by the chief operating decision maker ("CODM"). The Company's CODM is its Chief Executive Officer. The Company is not organized by market and is managed and operated as one business. A single management team that reports to the CODM comprehensively manages the entire business. The Company does not operate any material separate lines of business or separate business entities and therefore manages its operations as a single operating segment and, therefore, a single reportable segment. Our CODM evaluates performance and makes operating decisions about allocating resources based on financial data presented on a consolidated basis, accompanied by information about revenue disaggregated by geographic region. Because our CODM evaluates financial performance on a consolidated basis, we have determined that we have a single operating segment composed of the consolidated financial results of Vuzix Corporation.

The CODM reviews financial information, presented on a consolidated basis, focusing on significant expenses and net loss/income for purposes of making operating decisions, allocating resources, and evaluating financial performance. The primary measure used by our CODM to assess performance and make operating decisions is net loss as reported on our consolidated statements of operations. Net loss is used by our CODM to identify underlying trends in the performance of our business and make comparisons with the financial performance of our competitors. The measure of segment assets is reported on the balance sheet as total consolidated assets. Our CODM also reviews total assets, as reported on our consolidated balance sheets, and purchases of fixed assets, as reported on our consolidated statements of cash flows in determining overall financial strength and operating prioritizations.

Significant expenses regularly provided to and reviewed by the CODM are Cost of Sales, Research and Development, Total Compensation, General and Administrative, and Intangible Asset and Equity Investment Impairment. These segment items for the three and six months ended June 30, 2026 and 2025 are:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Sales	$ 1,113,498	$ 1,295,709	$ 2,504,813	$ 2,876,650
Less expenses:				
Cost of Sales, excluding compensation	(1,325,622)	(1,650,971)	(2,648,543)	(3,057,318)
Research and Development, excluding compensation	(1,484,004)	(1,149,076)	(2,934,399)	(2,381,071)
General and Administrative, excluding compensation	(1,391,484)	(2,016,637)	(2,373,517)	(3,100,911)
Total Compensation	(4,112,384)	(3,527,744)	(8,241,012)	(9,185,398)
Other Segment Items	(428,699)	(617,535)	(1,007,361)	(1,455,833)
	(8,742,193)	(8,961,963)	(17,204,832)	(19,180,531)
Net Loss	$ (7,628,695)	$ (7,666,254)	$ (14,700,019)	$ (16,303,881)

Other Segment Items:

- Selling and Marketing, excluding compensation expense;

- Depreciation and Amortization, not included in Cost of Sales; and

- Other Income.

Geographic Information

	Three Months Ended June 30,				
	2026			2025	
	Revenue	% of Total		Revenue	% of Total
U.S.	$ 874,145	79 %	U.S.	$ 939,524	73 %
Australia	132,014	12 %	Hungary	151,617	12 %
Japan	20,600	2 %	Australia	64,770	5 %
Others	86,739	7 %	Others	139,798	10 %
Total Revenues	$ 1,113,498	100 %	Total Revenues	$ 1,295,709	100 %

	Six Months Ended June 30,				
	2026			2025	
	Revenue	% of Total		Revenue	% of Total
U.S.	$ 1,811,295	72 %	U.S.	$ 1,478,998	51 %
Switzerland	167,346	7 %	Netherlands	568,843	20 %
Japan	136,595	5 %	Hungary	188,114	7 %
Others	389,577	16 %	Others	640,695	22 %
Total Revenues	$ 2,504,813	100 %	Total Revenues	$ 2,876,650	100 %

All long-lived assets are located in the U.S.

Recently Adopted Accounting Pronouncements

The Company adopted ASU 2025-05 FASB Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets as of January 1, 2026. The guidance provides a practical expedient for estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606. The Company elected to apply the practical expedient in estimating expected credit losses on its applicable financial assets. The adoption of ASU 2025-05 did not have a material impact on the Company’s consolidated financial statements or related disclosures.

Recent Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income (Topic 220): Disaggregation of Income Statement Expenses* (“ASU 2024-03”), which requires public entities to provide disaggregated disclosures of certain expense captions presented on the face of the income statement into specific categories within the notes to the consolidated financial statements. ASU 2024-03 is effective for the Company’s annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The ASU may be applied either on a prospective or retrospective basis. The Company is currently evaluating the impact of adoption of ASU 2024-03 on its financial statements and related disclosures.

Note 2 – Revenue Recognition and Contracts with Customers

Disaggregated Revenue

The Company’s total revenue was comprised of two major product lines: Products Sales (which include smart glasses, software, and accessories) and Engineering Services (which include engineering services fees and related ODM/OEM services and product sales, as well as waveguide and display engine component sales).

The following table summarizes the revenue recognized by major product line:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenues				
Products Sales	$ 884,296	$ 1,045,310	$ 1,926,674	$ 2,369,383
Engineering Services	229,202	250,399	578,139	507,267
Total Revenue	$ 1,113,498	$ 1,295,709	$ 2,504,813	$ 2,876,650

Significant Judgments

Under Topic 606 "Revenue from Contracts with Customers", we use judgments that could potentially impact both the timing of our satisfaction of performance obligations and our determination of transaction prices used in determining revenue recognized by major product line. Such judgments include considerations in determining our transaction prices and when our performance obligations are satisfied for our standard product sales. For Engineering Services, performance obligations are recognized over time using the input method, and the estimated costs to complete each project are considered significant judgments.

Performance Obligations

Revenues from our performance obligations are typically satisfied at a point-in-time for Product Sales, which are recognized when the customer obtains control and ownership, which is generally upon shipment. The Company considers shipping and handling activities performed to be fulfillment activities and not a separate performance obligation. The Company also records revenue for performance obligations relating to our Engineering Services both at a point-in-time and over time. For those performance obligations recognized over time, the input method is utilized for measuring progress toward satisfying the performance obligations. Satisfaction of these performance obligations is measured by the Company's costs incurred as a percentage of total expected costs to project completion, as the inputs of actual costs incurred by the Company are directly correlated with progress toward completing the contract. As such, the Company believes that our methodologies for recognizing revenue both at a point-in-time and over time for our Engineering Services correlate directly with the transfer of control of the underlying assets to our customers.

Our standard product sales include a twelve (12) month assurance-type product warranty. In the case of certain ODM/OEM products and waveguide sales, some include a standard product warranty of up to eighteen (18) months to allow distribution channels to offer the end customer a full twelve (12) months of coverage. We offer an extended warranty to customers that extends the standard product warranty on product sales for an additional twelve (12) month period. All revenue related to extended product warranty sales is deferred and recognized over the extended warranty period. Our Engineering Services contracts vary from contract to contract but typically include payment terms of Net 30 days from the date of billing, subject to an agreed upon customer acceptance period.

As of June 30, 2026 and December 31, 2025, there were $15,675 and $47,025, respectively, in outstanding performance obligations remaining for extended warranties.

The following table presents a summary of the Company's sales by revenue recognition method as a percentage of total net sales for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Point-in-Time	91 %	91 %	83 %	82 %
Over Time – Input Method	9 %	9 %	17 %	18 %
Total	100 %	100 %	100 %	100 %

Remaining Performance Obligations

As of June 30, 2026, the Company had $1,852,798 of remaining performance obligations under current waveguide and other development projects, including initial product production, which represents the remainder of transaction prices totaling $3,650,000 under these development projects, which commenced in 2023 and 2025, less revenue recognized under percentage of completion to date. The Company expects to recognize the remaining revenue related to these projects, based upon the following expected due dates: 16% in 2026 and 84% in 2027. Revenues earned less amounts invoiced at June 30, 2026, in the amount of $497,202, are reflected as Accrued Revenues in Excess of Billings in the accompanying Consolidated Balance Sheet.

As of December 31, 2025, the Company had $1,836,670 of remaining performance obligations under current waveguide and other development projects, which represented the remainder of transaction prices totaling $3,737,168 under this development project less revenue recognized under percentage of completion to date.

As of June 30, 2026, the Company had no material outstanding performance obligations related to product sales, other than its standard and extended product warranties.

Note 3 – Loss Per Share

Basic earnings per share is computed by dividing net income (loss) less preferred dividends, whether paid or accrued, on any outstanding preferred stock by the weighted average number of common shares outstanding for the period. Diluted earnings per share calculations reflect the assumed exercise of all dilutive employee stock options, vesting of Restricted Stock Units ("RSUs"), and Performance Stock Units ("PSUs") applying the treasury stock method promulgated by FASB ASC Topic 260, "Earnings Per Share" and the conversion of any outstanding convertible preferred shares or notes payable that are in-the-money, applying the as-if-converted method. However, if the assumed exercise of stock options, RSUs, PSUs, and the conversion of any preferred shares are anti-dilutive, basic and diluted earnings per share are the same for all periods. As a result of the net losses for the three and six months ended June 30, 2026 and 2025, all outstanding instruments would be anti-dilutive. As of June 30, 2026 and 2025, there were 10,356,396 and 7,724,513 common stock share equivalents, respectively, potentially issuable from the exercise of stock options, vesting of RSUs and awarded PSUs, and the conversion of preferred stock that could dilute basic earnings per share in the future.

Note 4 – Inventories, Net

Inventories are stated at the lower of cost and net realizable value, and consisted of the following:

	June 30, 2026	December 31, 2025
Purchased Parts and Components	$ 5,357,782	$ 5,369,273
Work-in-Process	230,611	198,207
Finished Goods	2,260,505	2,689,458
Less: Reserve for Obsolescence	(6,091,008)	(6,068,188)
Inventories, Net	$ 1,757,890	$ 2,188,750

During the six months ended June 30, 2026 and 2025, the Company disposed of nil and $1,125,711, respectively, of inventory that was fully provisioned for as obsolete in the previous year.

Note 5 – Fixed Assets

Fixed Assets consisted of the following:

	June 30, 2026	December 31, 2025
Tooling and Manufacturing Equipment	$ 11,355,066	$ 10,348,958
Leasehold Improvements	3,000,122	2,809,745
Computers and Purchased Software	707,414	612,524
Furniture and Equipment	2,591,376	2,502,286
	17,653,978	16,273,513
Less: Accumulated Depreciation	(9,397,077)	(8,647,275)
Fixed Assets, Net	$ 8,256,901	$ 7,626,238

Total depreciation expense for fixed assets for the three months ended June 30, 2026 and 2025, was $385,164 and $227,820, respectively. Total depreciation expense for fixed assets for the six months ended June 30, 2026 and 2025, was $749,802 and $723,840, respectively.

As of June 30, 2026 and December 31, 2025, there were $2,686,203 and $2,602,784, respectively, of manufacturing fixed assets that are not yet placed into service and, therefore, are not currently being depreciated.

Note 6 – Patents and Trademarks

Patents and Trademarks consisted of the following:

	June 30, 2026	December 31, 2025
Patents and Trademarks	$ 5,165,468	$ 4,841,560
Less: Accumulated Amortization	(1,583,939)	(1,482,494)
Patents and Trademarks, Net	$ 3,581,529	$ 3,359,066

Total amortization expense for patents and trademarks for the three months ended June 30, 2026 and 2025 was $51,503 and $50,462, respectively. Total amortization expense for patents and trademarks for the six months ended June 30, 2026 and 2025 was $101,446 and $94,654, respectively. The estimated aggregate annual amortization expense for each of the next five fiscal years is approximately $240,000.

Note 7 – Technology Licenses, Net

Technology Licenses consisted of the following:

	June 30, 2026	December 31, 2025
Licenses	$ 2,443,356	$ 2,443,356
Write-Offs	—	—
Less: Accumulated Amortization	(1,983,918)	(1,883,383)
Licenses, Net	$ 459,438	$ 559,973

Total amortization expense related to technology licenses for the three months ended June 30, 2026 and 2025 was $50,266 and $50,266, respectively. Total amortization expense related to technology licenses for the six months ended June 30, 2026 and 2025 was $100,534 and $100,534, respectively. The estimated aggregate annual amortization expense for each of the next two and half fiscal years is approximately $184,000.

Note 8 - Other Assets

The Company's Other Assets were as follows:

	June 30, 2026	December 31, 2025
Investments (fair value not readily determinable)	$ 300,000	$ 650,000
Additions	—	50,000
Write-offs	—	(400,000)
Total Investments (at cost)	300,000	300,000
Software Development Costs	1,000,000	1,000,000
Additions	—	—
Less: Accumulated Amortization	(1,000,000)	(972,222)
Software Development Costs, Net	—	27,778
Total Other Assets	$ 300,000	$ 327,778

Total amortization expense related to all software updates, included in cost of sales in 2025 and now fully amortized, for the three months ended June 30, 2026 and 2025 was nil and $41,668, respectively. Total amortization expense related to all software updates for the six months ended June 30, 2026 and 2025 was $27,778 and $41,668, respectively.

Note 9 – Accrued Expenses

Accrued expenses consisted of the following:

	June 30, 2026	December 31, 2025
Accrued Product Development and Tooling Costs	$ 1,017,471	$ 2,416,910
Accrued Wages and Related Costs	318,771	756,933
Accrued Professional Services	171,500	213,712
Accrued Warranty Obligations	71,133	55,637
Other Accrued Expenses	158,526	147,215
Total	$ 1,737,401	$ 3,590,407

The Product Development and Tooling Costs of $1,017,471 at June 30, 2026 have been expensed as research and development expense or were capitalized as manufacturing assets, primarily in our 2025 fiscal year. The capitalized tooling costs portion will be amortized and the deferred development expense portion will be paid to the vendor over the related product's future production of a specified number of units.

The Company has warranty obligations in connection with the sale of certain of its products. The warranty period for its products is generally twelve (12) months, unless the customer purchases an extended warranty for an additional twelve (12) months. The costs incurred to provide for these warranty obligations are estimated and recorded as an accrued liability at the time of sale. The Company estimates its future warranty costs based upon product-based historical performance rates and related costs to repair.

The changes in the Company's accrued warranty obligations for the six months ended June 30, 2026, were as follows:

Accrued Warranty Obligations at December 31, 2025	$ 55,637
Reductions for Settling Warranties	(42,304)
Warranties Issued During Year	57,800
Accrued Warranty Obligations at June 30, 2026	$ 71,133

Note 10 – Income Taxes

The Company's effective income tax rate differs from the U.S. statutory rate primarily due to the valuation allowance recorded against deferred tax assets.

Note 11 – Mezzanine Equity and Stockholders' Equity

Preferred Stock

The Board of Directors is authorized to establish and designate different series of preferred stock and to fix and determine their voting powers and other rights and terms. The Company has 5,000,000 authorized shares of preferred stock with a par value of $0.001 as of June 30, 2026 and December 31, 2025. Of this total, 49,626 shares are designated as Series A Preferred Stock and 800,000 shares are designated as Series B Convertible Preferred Stock ("Series B Preferred Stock"). There were nil shares of Series A Preferred Stock issued and outstanding on June 30, 2026 and December 31, 2025, and there were 419,959 shares of Series B Preferred Stock issued and outstanding as of June 30, 2026 and December 31, 2025.

Each share of Series B Preferred Stock is convertible, at the option of the holder, into ten shares of common stock, subject to adjustment for stock splits, stock dividends, and similar transactions. The Company may, at its option at any time after notice, redeem the Series B Preferred Stock that is outstanding, subject to conversion rights of the holder. The Series B Preferred Stock does not entitle the holders to voting rights, except with respect to certain actions which will require the consent of the holders of 66 2/3% of the outstanding shares of Series B Preferred Stock, or as required by law.

A summary of the Series B Preferred Stock issued through June 30, 2026 is as follows:

Quanta Computer Investments	Series B Preferred Stock - Shares Issued		Series B Preferred Stock - Paid-in Capital		Series B Preferred Stock - Conversion Price	Common Stock to be issued upon Conversion
Tranche 2 or Second Closing	189,717	$	5,000,000	$	26.35	1,897,170
Tranche 3 or Third Closing	230,242	$	5,000,000	$	21.72	2,302,420
Totals	**419,959**	**$**	**10,000,000**			**4,199,590**

The Series B Preferred Stock entitles the holders to cumulative dividends at the annual rate of 1.5% of the original issuance price, payable quarterly in cash. During the three months ended June 30, 2026 and 2025, there were $37,500 and nil of preferred dividends paid, respectively. During the six months ended June 30, 2026 and 2025, there were $77,424 and nil of preferred dividends paid, respectively. As of June 30, 2026 and December 31, 2025, total accumulated and unpaid preferred dividends were $37,500 and $39,923, respectively.

Holders of the Series B Preferred Stock will have the right upon the occurrence of certain triggering events, as defined in the certificate of designation, that are not all solely within the control of the Company to require the Company to redeem all or part of their Series B Preferred Stock for cash at a price equal to 100% of the liquidation preference plus accrued but unpaid dividends.

Because the Series B Preferred Stock contains redemption features that are not solely within the control of the Company and may be triggered by events outside the Company's control, the Series B Preferred Stock is classified outside of permanent equity, in accordance with ASC 480-10-S99-3A (SEC guidance on redeemable securities).

Common Stock

As of June 30, 2026, the Company's authorized common stock consists of 200,000,000 shares, par value of $0.001. There were 84,993,902 shares issued and 84,414,230 shares outstanding as of June 30, 2026 and 81,679,367 shares issued and 81,099,695 shares outstanding as of December 31, 2025.

The 419,959 shares of Series B Preferred Stock outstanding as of June 30, 2026 held by Quanta are convertible into 4,199,590 shares of common stock.

ATM Program

The Company filed a Registration Statement on Form S-3 with the SEC that became effective in May 2024, which includes a sales agreement prospectus for the issuance and sale of up to $50,000,000 of our common stock from time to time under a sales agreement with an investment bank in an "at the market" ("ATM") offering.

During the three months ended June 30, 2026, the Company sold 1,000,000 shares of common stock for gross proceeds of $4,284,250 (average sales price of $4.28 per share) under the ATM before deducting broker expenses paid by the Company of $154,233. During the three months ended June 30, 2025, the Company sold 1,060,194 shares of common stock for gross proceeds of $2,941,294 (average sales price of $2.77 per share) under the ATM before deducting broker expenses paid by the Company of $105,887.

During the six months ended June 30, 2026, the Company sold 3,000,000 shares of common stock for gross proceeds of $10,284,450 (average sales price of $3.43 per share) under the ATM before deducting broker expenses paid by the Company of $370,240. During the six months ended June 30, 2025, the Company sold 1,303,735 shares of common stock for gross proceeds of $4,242,583 (average sales price of $3.25 per share) under the ATM before deducting broker expenses paid by the Company of $152,733.

The Company is using the net proceeds from these sales for general corporate purposes, including working capital.

Note 12 – Stock-Based Compensation

A summary of stock option activity related to the Company's employee equity incentive plan for the six months ended June 30, 2026, is as follows:

	Number of Options	Weighted Average Exercise Price	Average Remaining Life (years)
Outstanding at December 31, 2025	3,988,858	$ 3.86	7.04
Granted	—	—	
Exercised	(269,369)	1.62	
Expired or Forfeited	(84,179)	2.86	
Outstanding at June 30, 2026	3,635,310	$ 4.05	6.47

The weighted average remaining contractual term for all options as of June 30, 2026 and December 31, 2025, was 6.47 years and 7.04 years, respectively.

As of June 30, 2026, there were 3,516,589 options that were fully vested and exercisable at a weighted average exercise price of $4.10 per share. The weighted average remaining contractual term of the vested options is 6.39 years.

As of June 30, 2026, there were 118,721 unvested options exercisable at a weighted average exercise price of $2.81 per share. The weighted average remaining contractual term of the unvested options is 8.38 years.

A summary of RSA, RSU, and PSU activity related to the Company's employee equity incentive plan, excluding contingently issuable awards, for the six months ended June 30, 2026, is as follows:

Restricted Stock Awards and Restricted Stock Units	Number of Shares/Units	Weighted Average Grant Date Fair Value Per Share/Unit
Unvested at December 31, 2025	772,438	$ 2.61
Granted	942,003	2.42
Vested	(247,781)	2.39
Forfeited	(13,284)	2.33
Unvested at June 30, 2026	1,453,376	$ 2.53

Performance Stock Units	Number of Units	Weighted Average Grant Date Fair Value Per Unit
Unvested at December 31, 2025	1,504,431	$ 2.37
Granted	637,946	2.40
Vested	(74,257)	3.15
Forfeited	(1,000,000)	2.15
Unvested at June 30, 2026	1,068,120	$ 2.54

On April 24, 2026, the Company issued 593,797 RSUs and 302,727 PSUs to all non-executive employees of the Company. The fair market value on the date of award of the RSUs and PSUs was $2.39 per unit. The RSUs will vest over time at a rate of one-third annually on each December 15, 2026, 2027, and 2028. The PSUs will vest upon the achievement of certain revenue and EBITDA targets before December 31, 2028. As of June 30, 2026, these targets are considered probable and the associated expense is being amortized. If both the revenue and EBITDA targets are exceeded by 150%, an additional 151,364 PSUs could be issued and vest immediately. As of June 30, 2026, these bonus targets are not considered probable and their fair market value is not being amortized in stock-based compensation expense.

On April 29, 2026, the Company issued 335,218 RSUs and 335,218 PSUs to its CEO and CFO. The fair market value on the date of award of the RSUs and PSUs was $2.41 per unit. The RSUs will vest over time at a rate of one-third annually on each December 15, 2026, 2027, and 2028. The PSUs will vest upon the achievement of certain revenue and EBITDA targets before December 31, 2028. As of June 30, 2026, these targets are considered probable and the associated expense is being amortized. If both the revenue and EBITDA targets are exceeded by 150%, an additional 167,609 PSUs could be issued and vest immediately. As of June 30, 2026, these bonus targets are not considered probable and their fair market value is not being amortized in stock-based compensation expense.

On March 19, 2025, the Company granted 207,404 PSUs to certain employees with a total grant-date fair value of $477,029 ($2.30 per unit), which was being expensed over a 20.5-month service period. The awards vest upon achievement of specified revenue and EBITDA targets. During the three months ended June 30, 2026, management determined that achievement of these targets was no longer probable of achievement within the service period of the awards and, accordingly, reversed the cumulative compensation expense of $313,885 previously recognized for the awards.

For the three months ended June 30, 2026 and 2025, the Company recorded total stock-based compensation expense, including stock awards but excluding stock option awards under the Company's former LTIP, of $654,613 and $842,596, respectively. For the six months ended June 30, 2026 and 2025, the Company recorded total stock-based compensation expense, including stock awards but excluding stock option awards under the Company's former LTIP, of $1,292,915 and $2,545,398, respectively.

As of June 30, 2026, the Company had $5,284,620 of unrecognized stock-based compensation expense related to all stock options, RSAs, RSUs, and PSUs considered probable, which will be recognized over a weighted average period of 2.1 years.

For the six months ended June 30, 2025, the Company recorded non-cash stock-based compensation expense of $1,180,356 for the former LTIP options that vested or were probable to vest, prior to their cancellation effective June 16, 2025.

These expenses are presented in the same financial statement line items in the Statements of Operations as the cash-based compensation expenses for the same employees.

Note 13 – Right-of-Use Assets and Liabilities

Future lease payments under operating leases as of June 30, 2026, were as follows:

2026	$	283,592
2027		519,919
Total Future Lease Payments		803,511
Less: Imputed Interest		(62,182)
Total Lease Liability Balance	$	741,329

Operating lease costs under the operating leases totaled $192,896 and $284,353 for the three months ended June 30, 2026 and 2025, respectively. Operating lease costs under the operating leases totaled $483,487 and $493,119 for the six months ended June 30, 2026 and 2025, respectively.

As of June 30, 2026, the weighted average discount rate was 7.1% and the weighted average remaining lease term was 1.4 years.

Note 14 – Litigation

We are involved in various lawsuits and claims arising in the ordinary course of business, including actions with respect to intellectual property, employment, and contractual matters. In connection with these matters, we assess, on a regular basis, the probability and range of possible loss based upon the developments in these matters. A liability is recorded in the consolidated financial statements if the Company believes it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review outstanding legal matters to determine the adequacy of the liabilities accrued and related disclosures in consideration of many factors, which include, but are not limited to, past history, scientific and other evidence, and the specifics and status of each matter. We may change our estimates if our assessment of the various factors changes and the amount of ultimate loss may differ from our estimates, resulting in a material effect on our business, financial condition, results of operations, and/or cash flows. With respect to these matters, based upon management's current knowledge, the Company believes that the amount or range of any reasonably possible loss, if any, will not, either individually or in the aggregate, have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company is not currently party to, nor is its property subject to any material legal proceedings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of financial condition and results of operations in conjunction with the financial statements and related notes appearing elsewhere in this quarterly report and in our Annual Report on Form 10-K for the year ended December 31, 2025.

As used in this report, unless otherwise indicated, the terms "Company," "Vuzix", "management," "we," "our," and "us" refer to Vuzix Corporation.

Critical Accounting Policies and Significant Developments and Estimates

The discussion and analysis of our financial condition and results of operations is based upon our unaudited consolidated financial statements and related notes appearing elsewhere in this quarterly report. The preparation of these statements in conformity with GAAP requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in our consolidated financial statements, including the statement of operations, balance sheet, cash flow and related notes. We continually evaluate our estimates used in the preparation of our financial statements, including those related to revenue recognition, allowance for credit losses, inventories, warranty reserves, product warranty, carrying value of long-lived assets, fair value measurement of financial instruments, valuation of stock compensation awards, and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not apparent from other sources. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the consolidated financial statements.

We believe that our application of accounting policies, and the estimates inherently required therein, are reasonable. We periodically re-evaluate these accounting policies and estimates and make adjustments when facts and circumstances dictate. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using such necessary estimates.

Management believes certain factors and trends are important in understanding our financial performance. The critical accounting policies, judgments and estimates we believe have the most significant effect on our consolidated financial statements are:

- Valuation of inventories;
- Going concern;
- Evaluation of liabilities to equity and derivatives;

- Investments in equity securities;
- Carrying value of long-lived assets, goodwill and other intangible assets;
- Software development costs;
- Revenue recognition;
- Product warranty;
- Stock-based compensation; and
- Income taxes.

Our accounting policies are more fully described in the notes to our consolidated financial statements included in this quarterly report and in our Annual Report on Form 10-K for the year ended December 31, 2025. There have been no significant changes in our accounting policies for the three months ended June 30, 2026.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on our financial condition, financial statements, revenues or expenses.

Business Matters

We are engaged in the design, manufacture, marketing and sale of augmented reality wearable display devices also referred to as head mounted displays (or HMDs, but also known as near-eye displays), in the form of Smart Glasses, AI powered Smart Glasses, Waveguides, and Augmented Reality (AR) technologies. Our wearable display devices are worn like eyeglasses or attach to a head worn mount. These devices typically include cameras, sensors, and a computer that enable the user to view, record and interact with video and digital content, such as computer data, the Internet, social media or entertainment applications. Our wearable display products integrate microdisplay technology with our advanced optics to produce compact high-resolution display engines, less than half an inch diagonally, which when viewed through our Smart Glasses products create virtual images that appear comparable in size to that of a computer monitor or a large-screen television.

With respect to our Smart Glasses and AI/AR products, we are focused on the enterprise, defense, medical, security, and select consumer applications. All of the mobile display and mobile electronics markets in which we compete have been subject to rapid technological change over the last decade including the rapid adoption of tablets, larger screen sizes, and display resolutions, along with declining prices on mobile phones and other computing devices, and as a result we must continue to improve our products' performance and lower our costs. We believe our technology, intellectual property portfolio and position in the marketplace give us a leadership position in AI/AR and Smart Glasses products, waveguide optics, microLEDs, and display engine technology.

Recent Accounting Pronouncements

See Note 1 to the Unaudited Consolidated Financial Statements.

Results of Operations

Comparison of Three Months Ended June 30, 2026 and 2025

The following table compares the Company's consolidated statements of operations data for the three months ended June 30, 2026 and 2025:

	Three Months Ended June 30,			
	2026	2025	Dollar Change	% Increase (Decrease)
Sales:				
Sales of Products	$ 884,296	$ 1,045,310	$ (161,014)	(15)%
Sales of Engineering Services	229,202	250,399	(21,197)	(8)%
Total Sales	1,113,498	1,295,709	(182,211)	(14)%
Cost of Sales:				
Cost of Sales - Products	1,488,456	1,617,346	(128,890)	(8)%
Cost of Sales - Depreciation and Amortization	73,579	167,349	(93,770)	(56)%
Cost of Sales - Engineering Services	196,874	272,384	(75,510)	(28)%
Total Cost of Sales	1,758,909	2,057,079	(298,170)	(14)%
Gross Loss	(645,411)	(761,370)	115,959	(15)%
Gross Loss%	(58)%	(59)%		
Operating Expenses:				
Research and Development	3,097,875	2,570,873	527,002	20 %
Selling and Marketing	1,209,944	1,352,990	(143,046)	(11)%
General and Administrative	2,682,330	2,756,588	(74,258)	(3)%
Depreciation and Amortization	118,245	413,483	(295,238)	(71)%
Loss from Operations	(7,753,805)	(7,855,304)	101,499	(1)%
Other Income (Expense):				
Investment Income	157,765	135,759	22,006	16 %
Other Taxes	(20,332)	40,772	(61,104)	(150)%
Foreign Exchange Gain (Loss)	(12,323)	12,519	(24,842)	(198)%
Total Other Income, Net	125,110	189,050	(63,940)	(34)%
Net Loss	$ (7,628,695)	$ (7,666,254)	$ 37,559	(0)%

Sales. There was a decrease in total sales for the three months ended June 30, 2026, compared to the same period in 2025 of $182,211, or 14%. The following table reflects the major components of our sales:

	Three Months Ended June 30, 2026	% of Total Sales	Three Months Ended June 30, 2025	% of Total Sales	Dollar Change	% Increase (Decrease)
Sales of Products	$ 884,296	79 %	$ 1,045,310	81 %	$ (161,014)	(15)%
Sales of Engineering Services	229,202	21 %	250,399	19 %	(21,197)	(8)%
Total Sales	$ 1,113,498	100 %	$ 1,295,709	100 %	$ (182,211)	(14)%

Sales of products decreased by 15%, or $161,014 for the three months ended June 30, 2026, compared to the same period in 2025, from $1,045,310 to $884,296. Reduced smart glasses revenue was the primary driver of this decrease as unit sales of our M400 product decreased, along with the unit sales of our products that were discontinued in 2026, compared to the previous year's comparable period.

Sales of engineering services and OEM products for the three months ended June 30, 2026, were $229,202 compared to $250,399 in the comparable 2025 period, a decrease of 8%.

Cost of Sales and Gross Loss. Cost of product revenues and engineering services are comprised of materials, components, labor, warranty costs, freight costs, manufacturing overhead, software royalties, the depreciation for our tooling and manufacturing equipment, and amortization of software development costs related to the production of our products and rendering of engineering services. The following table reflects the components of our cost of sales:

	Three Months Ended June 30, 2026	% of Total Sales	Three Months Ended June 30, 2025	% of Total Sales	Dollar Change	% Increase (Decrease)
Product Cost of Sales	$ 632,108	57 %	$ 844,111	65 %	$ (212,003)	(25)%
Inventory Reserve for Obsolescence	287,285	26 %	265,000	20 %	22,285	8 %
Manufacturing Overhead - Unapplied	569,063	51 %	508,235	39 %	60,828	12 %
Depreciation and Amortization	73,579	7 %	167,349	13 %	(93,770)	(56)%
Engineering Services Cost of Sales	196,874	18 %	272,384	21 %	(75,510)	(28)%
Total Cost of Sales	$ 1,758,909	158 %	$ 2,057,079	159 %	$ (298,170)	(14)%
Gross Loss	$ (645,411)	(58)%	$ (761,370)	(59)%	$ 115,959	(15)%

For the three months ended June 30, 2026, there was a gross loss from total sales of $645,411, or 58%, compared to a gross loss of $761,370, or 59%, in the comparable period in 2025.

Unapplied manufacturing overhead costs, not already added into product cost of sales, increased by $60,828, or 12%, for the three months ended June 30, 2026 compared to the 2025 comparable period. As a percentage of total sales, such costs increased to 51% compared to 39% in 2025 due to lower product revenue and lower production levels of new product, as the Company has sufficient finished goods on hand to meet currently expected demand for current Smart Glasses models for the foreseeable future.

Depreciation and amortization included in cost of sales decreased by $93,770, or 56%, for the three months ended June 30, 2026 versus the comparable period 2025. This decrease was due to certain leasehold improvements becoming fully depreciated in November 2025.

Research and Development. Our research and development expenses consist primarily of compensation costs for personnel including non-cash stock-based compensation expenses, third-party services, purchase of research supplies and materials, and consulting fees related to research and development. Software development expenses to determine technical feasibility before final development and ongoing maintenance are not capitalized and are included in research and development expenses.

	Three Months Ended June 30, 2026	% of Total Sales	Three Months Ended June 30, 2025	% of Total Sales	Dollar Change	% Increase (Decrease)
Research and Development Expenses	$ 2,938,626	264%	$ 2,385,645	184%	$ 552,981	23 %
Related Stock-based Compensation (non-cash)	159,249	14%	185,228	14%	(25,979)	(14)%
Total Research and Development	$ 3,097,875	278%	$ 2,570,873	198%	$ 527,002	20 %

Total research and development expenses for the three months ended June 30, 2026 increased by $527,002, or 20%, compared to the comparable period in 2025. This increase was largely due to a $326,614 increase in external development costs for our new products; a $231,641 increase in cash salary and benefits related expenses due to headcount increases; a $98,880 increase in depreciation related to under-utilized new manufacturing equipment still being used primarily for R&D purposes; and a $41,964 increase in supplies expenses; partially offset by a $98,443 decrease in rent and utilities expenses.

Selling and Marketing. Selling and marketing expenses consist of trade show costs, advertising, sales samples, travel costs, sales staff compensation costs including non-cash stock-based compensation expense, consulting fees, public relations agency fees, website costs, and sales commissions paid to full-time staff and outside consultants.

	Three Months Ended June 30, 2026	% of Total Sales	Three Months Ended June 30, 2025	% of Total Sales	Dollar Change	% Increase (Decrease)
Selling and Marketing Expenses	$ 1,177,637	106%	$ 1,136,047	88%	$ 41,590	4 %
Related Stock-based Compensation (non-cash)	32,307	3%	216,943	17%	(184,636)	(85)%
Total Selling and Marketing	$ 1,209,944	109%	$ 1,352,990	104%	$ (143,046)	(11)%

Total selling and marketing expenses for the three months ended June 30, 2026 decreased by $143,046, or 11%, compared to the comparable period in 2025. This decrease was due to a $184,636 decrease in non-cash stock-based compensation expense; partially offset by an increase of $26,621 in education and consulting related expenses and an increase of $15,193 in advertising and tradeshow expenses.

General and Administrative. General and administrative expenses include professional fees, investor relations (IR) and shareholder related costs, salaries and related non-cash stock-based compensation, travel costs, and office and rental costs.

	Three Months Ended June 30, 2026	% of Total Sales	Three Months Ended June 30, 2025	% of Total Sales	Dollar Change	% Increase (Decrease)
General and Administrative Expenses	$ 2,252,882	202%	$ 2,664,669	206%	$ (411,787)	(15)%
Related Stock-based Compensation (non-cash)	429,448	39%	91,919	7%	337,529	367 %
Total General and Administrative	$ 2,682,330	241%	$ 2,756,588	213%	$ (74,258)	(3)%

Total general and administrative expenses for the three months ended June 30, decreased by $74,258, or 3%, compared to the comparable period in 2025. The decrease was largely due to a $501,264 decrease in IR and shareholder related expenses; and a $41,707 decrease in consulting fees; offset by a $337,529 increase in non-cash stock-based compensation expenses related primarily to a $366,985 smaller reversal of previously recognized expense in 2026, as compared to the comparable period in 2025; a $226,669 increase in cash salary, benefits, and severance costs; and an $87,984 increase in recruiting and hiring expenses.

Depreciation and Amortization. Depreciation and amortization expense, not included in cost of sales or research and development expenses, for the three months ended June 30, 2026, was $118,245, compared to $413,483 in the comparable period in 2025, or a decrease of $295,238. This decrease was due to certain leasehold improvements becoming fully depreciated in November 2025.

Other Income, Net. Total other income was $125,110 for the three months ended June 30, 2026, compared to other income of $189,050 in the comparable period in 2025, a decrease of $63,940. This decrease was due to an increase of $61,104 in other taxes; and an increase of $24,842 in foreign exchange losses; partially offset by an increase in investment income of $22,006.

Provision for Income Taxes. There was no provision for income taxes in the respective three month periods ended June 30, 2026 and 2025.

Comparison of Six Months Ended June 30, 2026 and 2025

The following table compares the Company's consolidated statements of operations data for the six months ended June 30, 2026 and 2025:

	Six Months Ended June 30,			
	2026	2025	Dollar Change	% Increase (Decrease)
Sales:				
Sales of Products	$ 1,926,674	$ 2,369,383	$ (442,709)	(19)%
Sales of Engineering Services	578,139	507,267	70,872	14 %
Total Sales	2,504,813	2,876,650	(371,837)	(13)%
Cost of Sales:				
Cost of Sales - Products Sold	2,960,628	3,228,076	(267,448)	(8)%
Cost of Sales - Depreciation and Amortization	156,320	344,218	(187,898)	(55)%
Cost of Sales - Engineering Services	411,196	330,844	80,352	24 %
Total Cost of Sales	3,528,144	3,903,138	(374,994)	(10)%
Gross Loss	(1,023,331)	(1,026,488)	3,157	(0)%
Gross Loss %	(41)%	(36)%		
Operating Expenses:				
Research and Development	6,126,229	5,176,713	949,516	18 %
Selling and Marketing	2,760,810	2,890,456	(129,646)	(4)%
General and Administrative	4,816,272	6,717,572	(1,901,300)	(28)%
Depreciation and Amortization	233,262	818,494	(585,232)	(72)%
Loss from Operations	(14,959,904)	(16,629,723)	1,669,819	(10)%
Other Income (Expense):				
Investment Income	326,167	304,239	21,928	7 %
Other Taxes	(36,458)	22,371	(58,829)	(263)%
Foreign Exchange Loss	(29,824)	(768)	(29,056)	3,783 %
Total Other Income, Net	259,885	325,842	(65,957)	(20)%
Net Loss	$ (14,700,019)	$ (16,303,881)	$ 1,603,862	(10)%

Sales. There was a decrease in total sales for the six months ended June 30, 2026, compared to the same period in 2025 of $371,837, or 13%. The following table reflects the major components of our sales:

	Six Months Ended June 30, 2026	% of Total Sales	Six Months Ended June 30, 2025	% of Total Sales	Dollar Change	% Increase (Decrease)
Sales of Products	$ 1,926,674	77 %	$ 2,369,383	82 %	$ (442,709)	(19)%
Sales of Engineering Services	578,139	23 %	507,267	18 %	70,872	14 %
Total Sales	$ 2,504,813	100 %	$ 2,876,650	100 %	$ (371,837)	(13)%

Sales of products decreased by 19%, or $442,709, for the six months ended June 30, 2026, compared to the same period in 2025, from $2,369,383 to $1,926,674. Reduced smart glasses revenue was the primary driver of this decrease as unit sales of our M400 product decreased, along with the unit sales of our products that were discontinued in 2026, compared to the previous year's comparable period.

Sales of engineering services and OEM products for the six months ended June 30, 2026, were $578,139 compared to $507,267 in the comparable 2025 period, an increase of 14%.

Cost of Sales and Gross Loss. Cost of product revenues and engineering services are comprised of materials, components, labor, warranty costs, freight costs, manufacturing overhead, software royalties, the depreciation for our tooling and manufacturing equipment, and amortization of software development costs related to the production of our products and rendering of engineering services. The following table reflects the components of our cost of sales:

	Six Months Ended June 30, 2026	% of Total Sales	Six Months Ended June 30, 2025	% of Total Sales	Dollar Change	% Increase (Decrease)
Product Cost of Sales	$ 1,491,552	60 %	$ 1,870,726	65 %	$ (379,174)	(20)%
Inventory Reserve for Obsolescence	287,285	11 %	265,000	9 %	22,285	8 %
Manufacturing Overhead - Unapplied	1,181,791	47 %	1,092,350	38 %	89,441	8 %
Depreciation and Amortization	156,320	6 %	344,218	12 %	(187,898)	(55)%
Engineering Services Cost of Sales	411,196	16 %	330,844	12 %	80,352	24 %
Total Cost of Sales	3,528,144	141 %	3,903,138	136 %	(374,994)	(10)%
Gross Loss	$ (1,023,331)	(41)%	$ (1,026,488)	(36)%	$ 3,157	(0)%

For the six months ended June 30, 2026, there was a gross loss from total sales of $1,023,331, or 41%, compared to a gross loss of $1,026,488, or 36%, in the comparable period in 2025.

Unapplied manufacturing overhead costs, not already added into product cost of sales, increased by $89,441, or 8%, for the six months ended June 30, 2026 compared to the 2025 comparable period. As a percentage of total sales, such costs increased to 47%, compared to 38% in 2025, due to lower product revenue and lower production levels of new product, as the Company has sufficient finished goods on hand to meet currently expected demand for current Smart Glasses models for the foreseeable future.

Depreciation and amortization included in cost of sales decreased by $187,898, or 55%, for the six months ended June 30, 2026 versus the comparable period of 2025. This decrease was due to certain leasehold improvements becoming fully depreciated in November 2025.

Research and Development. Our research and development expenses consist primarily of compensation costs for personnel including non-cash stock-based compensation expenses, third-party services, purchase of research supplies and materials, and consulting fees related to research and development. Software development expenses to determine technical feasibility before final development and ongoing maintenance are not capitalized and are included in research and development expenses.

	Six Months Ended June 30, 2026	% of Total Sales	Six Months Ended June 30, 2025	% of Total Sales	Dollar Change	% Increase (Decrease)
Research and Development Expenses	$ 5,844,485	233 %	$ 4,639,403	161 %	$ 1,205,082	26 %
Related Stock-based Compensation (non-cash)	281,744	11 %	537,310	19 %	(255,566)	(48)%
Total Research and Development Costs	$ 6,126,229	245 %	$ 5,176,713	180 %	$ 949,516	18 %

Total research and development expenses for the six months ended June 30, 2026 increased by $949,516, or 18%, compared to the comparable period in 2025. This increase was largely due to a $665,344 increase in cash salary and benefits related expenses due to headcount increases; a $343,481 increase in depreciation related to under-utilized new manufacturing equipment still being used primarily for R&D purposes; and a $137,695 increase in external development costs for our new products; partially offset by a $255,566 decrease in non-cash stock-based compensation expenses.

Selling and Marketing. Selling and marketing expenses consist of trade show costs, advertising, sales samples, travel costs, sales staff compensation costs including non-cash stock-based compensation expense, consulting fees, public relations agency fees, website costs, and sales commissions paid to full-time staff and outside consultants.

	Six Months Ended June 30, 2026	% of Total Sales	Six Months Ended June 30, 2025	% of Total Sales	Dollar Change	% Increase (Decrease)
Selling and Marketing Expenses	$ 2,659,828	106 %	$ 2,306,634	80 %	$ 353,194	15 %
Related Stock-based Compensation (non-cash)	100,982	4 %	583,822	20 %	(482,840)	(83)%
Total Selling and Marketing	$ 2,760,810	110 %	$ 2,890,456	100 %	$ (129,646)	(4)%

Total selling and marketing expenses for the six months ended June 30, 2026 decreased by $129,646, or 4%, compared to the comparable period in 2025. This decrease was due to a $482,840 decrease in non-cash stock-based compensation expenses; partially offset by a $258,678 increase in cash salary and benefits-related expenses due to headcount increases; and a $32,926 increase in travel-related expenses.

General and Administrative. General and administrative expenses include professional fees, IR costs, salaries and related non-cash stock-based compensation, travel costs, and office and rental costs.

	Six Months Ended June 30, 2026	% of Total Sales	Six Months Ended June 30, 2025	% of Total Sales	Dollar Change	% Increase (Decrease)
General and Administrative Expenses	$ 3,982,724	159 %	$ 4,265,067	148 %	$ (282,343)	(7)%
Related Stock-based Compensation (non-cash)	833,548	33 %	2,452,505	85 %	(1,618,957)	(66)%
Total General and Administrative	$ 4,816,272	192 %	$ 6,717,572	234 %	$ (1,901,300)	(28)%

Total general and administrative expenses for the six months ended June 30, 2026 decreased by $1,901,300, or 28%, compared to the comparable period in 2025. The decrease was largely due to a $1,618,957 decrease in non-cash stock-based compensation expense related to our 2024 cash salary reduction program in exchange for equity, which ended on April 30, 2025, and the termination of the Company's original LTIP, which was cancelled on June 16, 2025; a $805,641 decrease in IR and shareholder related expenses; a $87,397 decrease in legal expenses; and a $77,467 decrease in consulting fees; partially offset by a $459,578 increase in cash salary and benefits mostly due to our 2024 cash salary reduction program, which ended on April 30, 2025; a $87,984 increase in recruitment and hiring expenses; a $58,825 increase in supplies expenses; a $43,503 increase in accounting and auditing costs; and a $38,289 increase in travel related costs.

Depreciation and Amortization. Depreciation and amortization expense, not included in cost of sales or research and development expenses, for the six months ended June 30, 2026, was $233,262, compared to $818,494 in the comparable period in 2025, or a decrease of $585,232. This decrease was due to certain leasehold improvements becoming fully depreciated in November 2025.

Other Income, Net. Total other income was $259,885 for the six months ended June 30, 2026, compared to other income of $325,842 in the comparable period in 2025, a decrease of $65,957. This decrease was due to an increase of $58,829 in other taxes; and an increase of $29,056 in foreign exchange losses; partially offset by an increase in investment income of $21,928.

Provision for Income Taxes. There was no provision for income taxes in the respective six month periods ended June 30, 2026 and 2025.

Liquidity and Capital Resources

Capital Resources: As of June 30, 2026, we had cash and cash equivalents of $17,297,697, a decrease of $3,852,516 from $21,150,213 as of December 31, 2025.

As of June 30, 2026, we had current assets of $21,850,841 compared to current liabilities of $3,836,024 which resulted in a positive working capital position of $18,014,817. As of December 31, 2025, we had a positive working capital position of $22,307,525. Our current liabilities are comprised principally of accounts payable, accrued expenses, and operating lease right-of-use liabilities.

Summary of Cash Flows:

The following table summarizes our select cash flows for the six months ended:

	June 30, 2026	June 30, 2025
Net Cash Provided by (Used in)		
Operating Activities	$ (12,151,830)	$ (8,241,812)
Investing Activities	(1,537,472)	(1,631,941)
Financing Activities	9,836,786	9,141,832

During the six months ended June 30, 2026, we used $12,151,830 of cash for operating activities, an increase of $3,910,018 from the comparable 2025 period. Net changes in working capital items were $275,710 for the six months ended June 30, 2026, with the largest factors resulting from an $848,156 decrease in trade accounts and other receivables; a $344,656 decrease in inventory and vendor prepayments; offset by a $1,257,323 decrease in trade accounts payables and accrued expenses. For the six months ended June 30, 2025, we used a total of $8,241,812 in cash for operating activities.

During the six months ended June 30, 2026, we used $1,537,472 of cash for investing activities, which included: $1,213,562 in manufacturing equipment and tooling, primarily for new waveguide manufacturing equipment, and $323,910 in patent and trademark expenditures. For the six months ended June 30, 2025, we used a total of $1,631,941 in cash for investing activities.

During the six months ended June 30, 2026, we received $9,836,786 from financing activities, which included $9,914,210 in net proceeds from sales of common stock under our ATM program less $77,424 in Series B Preferred Stock dividend payments. For the six months ended June 30, 2025, we received $9,141,832 from financing activities.

As of June 30, 2026, the Company does not have any current or long-term debt obligations outstanding.

In February 2026, the U.S. Supreme Court issued a ruling invalidating tariffs previously imposed under the International Emergency Economic Powers Act ("IEEPA"). Through March 31, 2026, the Company had paid approximately $190,000 related to IEEPA tariffs for the purchase of fixed assets and components included in the costs of sales. However, significant uncertainty remains regarding the ultimate availability, timing, and magnitude of potential refunds due to a phased administrative process, ongoing litigation, and potential appeals. Consequently, as of June 30, 2026, the Company has not recorded a receivable, asset, or gain because recovery for any unrefunded amounts as they are not considered "probable" or "reasonably estimable" under the loss recovery model of ASC 410-30 and ASC 450, with potential refunds currently treated as unrecognized gain contingencies. Through the date of this filing, the Company has received refunds totaling $80,066, $26,154 in the three months ended June 30, 2026, and is recognizing the refunds as a reduction of cost of goods sold.

The Company incurred net losses of $14,700,019 for the six months ended June 30, 2026; $32,273,128 for the year ended December 31, 2025; and $73,538,157 for the year ended December 31, 2024. The Company had net cash outflows from operations of $12,151,830 for the six months ended June 30, 2026; $18,789,272 for the year ended December 31, 2025; and $23,739,372 for the year ended December 31, 2024. As of June 30, 2026, the Company had an accumulated deficit of $414,633,429.

The Company's cash requirements going forward are primarily for funding operating losses, research and development, working capital and capital expenditures. Our cash requirements related to funding operating losses depend upon numerous factors, including new product development activities, our ability to commercialize our products, our products' timely market acceptance, selling prices and gross margins, and other factors. Historically, the Company has met its cash needs primarily through the sale of equity securities. The Company will need to grow its business significantly to become profitable and self-sustaining on a cash flow basis or it will be required to cut its operating costs significantly or raise new equity and/or debt capital.

These historical financial factors initially raise substantial doubt about the Company's ability to continue as a going concern. The Company's management intends to take actions necessary to continue as a going concern, as discussed herein. Management's plans to alleviate the conditions that raise substantial doubt include raising further capital, the implementation of operational improvements, and the curtailment of certain development programs, all of which the Company expects will preserve cash.

Management's plans concerning these matters and managing our liquidity include, among other things:

- Delaying or curtailing discretionary and non-essential operating expenses and capital expenditures not related to near-term product and manufacturing needs and reducing other investing activities for the remainder of our 2026 and 2027 fiscal years;
- The expected profit margin contribution upon the future commencement of volume manufacturing and sales of waveguides from our new waveguide manufacturing plant, particularly to ODM/OEM customers; and
- Continued pursuit of licensing and strategic opportunities around our waveguide technologies with potential ODMs/OEMs, which may include the receipt of upfront licensing fees and on-going supply agreements.

The Company has historically raised capital through the sale of equity securities. The Company filed a Registration Statement on Form S-3 that became effective in May 2024, which includes a sales agreement prospectus for the issuance and sale of up to $50,000,000 of our common stock from time to time under a sales agreement with an investment bank in an "at the market" offering. Since May 2024, the Company has raised $32,380,501, net of broker expenses, including $9,914,210 to date in 2026, under this sales agreement.

Management will continue to utilize the available "at the market" noted above to satisfy obligations as they become due, as well as, monitor the capital markets on an ongoing basis and may consider raising capital under other programs if favorable market conditions develop. If the Company needs to raise capital for additional liquidity, the Company may pursue additional equity financings, further curtail expenses, or enter into one or more strategic transactions. However, management can make no assurance that the Company will be able to successfully complete any of the forementioned pursuits on terms acceptable to the Company, or at all.

As a result of management's plan above, our current amount of cash on hand, and our historical ability to raise capital, management has concluded that substantial doubt of our ability to continue as a going concern has been alleviated.

Forward-Looking Statements

This quarterly report includes forward-looking statements within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include, but are not limited to, statements concerning:

- trends in our operating expenses, including personnel costs, research and development expense, sales and marketing expense, and general and administrative expense;
- the effect of competitors and competition in our markets;
- our wearable Smart Glasses products and their market acceptance and future potential;
- our ability to develop, timely introduce, and effectively manage the introduction of new products and services or improve our existing products and services;
- expected technological advances by us or by third parties and our ability to leverage them;
- our ability to attract and retain customers;
- our ability to accurately forecast consumer demand and adequately manage our inventory;
- our ability to deliver an adequate supply of product to meet demand;
- our ability to maintain and promote our brand and expand brand awareness;
- our ability to detect, prevent, or fix defects in our products;
- our reliance on third-party suppliers, contract manufacturers and logistics providers and our limited control over such parties;
- trends in revenue, costs of revenue, and gross margin and our possible or assumed future results of operations;
- our ability to attract and retain highly skilled employees;
- the impact of foreign currency exchange rates;
- the effect of future regulations;
- the sufficiency of our existing cash and cash equivalent balances and cash flow from operations to meet our working capital and capital expenditure needs for at least the next twelve (12) months; and
- general market, political, economic, business and public health conditions.

All statements in this quarterly report that are not historical facts are forward-looking statements. We may, in some cases, use terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions that convey uncertainty of future events or outcomes to identify forward-looking statements.

All such forward-looking statements are subject to certain risks and uncertainties and should be evaluated in light of important risk factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. These risk factors include, but are not limited to, those described in "Risk Factors" under Item 1A and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2025, and other filings we make with the Securities and Exchange Commission and the following: business and economic conditions, rapid technological changes accompanied by frequent new product introductions, competitive pressures, dependence on key customers, inability to gauge order flows from customers, fluctuations in quarterly and annual results, the reliance on a limited number of third-party suppliers, limitations of our manufacturing capacity and arrangements, the protection of our proprietary technology, the dependence on key personnel, changes in critical accounting estimates, potential impairments related to investments, foreign regulations, changes in trade policy in the United States and other countries, including changes in trade agreements and the imposition of tariffs, liquidity issues, and potential material weaknesses in internal control over financial reporting. Further, during weak or uncertain economic periods, customers may delay the placement of their orders. These factors often result in a substantial portion of our revenue being derived from orders placed within a quarter and shipped in the final month of the same quarter.

We caution readers to carefully consider such factors. Many of these factors are beyond our control. In addition, any forward-looking statements represent our estimates only as of the date they are made and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, except as may be required under applicable securities laws, we specifically disclaim any obligation to do so.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has performed an evaluation of the effectiveness of our disclosure controls and procedures that are defined in Rule 13a-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this report. This evaluation included consideration of the controls, processes, and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is properly recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were effective at June 30, 2026.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as defined in 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various lawsuits and claims arising in the ordinary course of business, including actions with respect to intellectual property, employment, and contractual matters. In connection with these matters, we assess, on a regular basis, the probability and range of possible loss based upon the developments in these matters. A liability is recorded in the consolidated financial statements if the Company believes it to be probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review outstanding legal matters to determine the adequacy of the liabilities accrued and related disclosures in consideration of many factors, which include, but are not limited to, past history, scientific and other evidence, and the specifics and status of each matter. We may change our estimates if our assessment of the various factors changes and the amount of ultimate loss may differ from our estimates, resulting in a material effect on our business, financial condition, results of operations, and/or cash flows. With respect to these matters, based upon management's current knowledge, the Company believes that the amount or range of any reasonably possible loss, if any, will not, either individually or in the aggregate, have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company is not currently party to, nor is its property subject to any material legal proceedings.

Item 1A. Risk Factors

In addition to the other information set forth in this report you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2025. There have been no material changes from those risk factors, except as set forth below. The risks discussed in our 2025 Annual Report and herein could materially affect our business, financial condition and future results.

A substantial amount of the Company's components and related materials are imported from abroad. The ongoing evolution of trade policies (including tariffs) could materially adversely affect the (i) costs of raw and finished components for our products, and (ii) demand for our current and future products.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Sale of Unregistered Securities - none

Purchase of Equity Securities: - none

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

During the fiscal quarter ended June 30, 2026, no Section 16 director or officer adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" (as defined in Item 408 of Regulation S-K of the Exchange Act).

There were no "non-Rule 10b5-1 trading arrangements" (as defined in Item 408 of Regulation S-K of the Exchange Act) adopted, modified or terminated during the fiscal quarter ended June 30, 2026 by our directors and Section 16 officers.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer of the Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Chief Financial Officer of the Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Chief Executive Officer of the Registrant pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of the Chief Financial Officer of the Registrant pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101	Inline XBRL Document set for the financial statements and accompanying notes in Part I, Item 1, of this Quarterly Report on Form 10-Q.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)*

* Filed herewith.
** Furnished herewith

SIGNATURES

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

VUZIX CORPORATION

Date: August 13, 2026

By: /s/ Paul Travers
Paul Travers
President, Chief Executive Officer
(Principal Executive Officer)

Date: August 13, 2026

By: /s/ Grant Russell
Grant Russell
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Paul Travers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vuzix Corporation;

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

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

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2026

/s/ Paul Travers
Paul Travers
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Grant Russell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vuzix Corporation;

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

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

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

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2026

/s/ Grant Russell
Grant Russell
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Vuzix Corporation ("Vuzix") on Form 10-Q for the quarterly period ended June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Travers, President and Chief Executive Officer of Vuzix, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vuzix.

/s/ Paul Travers
Paul Travers
President and Chief Executive Officer

Date: August 13, 2026

Exhibit 32.2

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

In connection with the Quarterly Report of Vuzix Corporation (“Vuzix”) on Form 10-Q for the quarterly period ended June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Grant Russell, Executive Vice President and Chief Financial Officer of Vuzix, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vuzix.

/s/ Grant Russell
Grant Russell
Executive Vice President and Chief Financial Officer

Date: August 13, 2026