

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

**FORM 10-Q**

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

For the Quarterly Period Ended March 31, 2024

OR

**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:

| <u>Title of each class:</u>     | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered:</u> |
|---------------------------------|--------------------------|---|
| 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 May 9, 2024, there were 64,726,092 shares of the registrant's common stock outstanding.

**Vuzix Corporation**  
**INDEX**

|   | <b>Page<br/>No.</b> |
|---|---------------------|
| <a href="#">Part I – Financial Information</a>  | 3                   |
| <a href="#">Item 1. Consolidated Financial Statements (Unaudited):</a>  | 3                   |
| <a href="#">Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023</a>  | 3                   |
| <a href="#">Consolidated Statements of Changes in Stockholders’ Equity for the Three Months Ended March 31, 2024 and 2023</a> | 4                   |
| <a href="#">Consolidated Statements of Operations for the Three Months Ended March 31, 2024 and 2023</a>                      | 5                   |
| <a href="#">Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2024 and 2023</a>                      | 6                   |
| <a href="#">Notes to the Unaudited Consolidated Financial Statements</a>  | 7                   |
| <a href="#">Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>                 | 17                  |
| <a href="#">Item 3. Quantitative and Qualitative Disclosures About Market Risk</a>  | 26                  |
| <a href="#">Item 4. Controls and Procedures</a>   | 26                  |
| <a href="#">Part II – Other Information</a>   | 26                  |
| <a href="#">Item 1. Legal Proceedings</a>   | 26                  |
| <a href="#">Item 1A. Risk Factors</a>   | 27                  |
| <a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>   | 27                  |
| <a href="#">Item 3. Defaults Upon Senior Securities</a>   | 27                  |
| <a href="#">Item 4. Mine Safety Disclosure</a>  | 27                  |
| <a href="#">Item 5. Other Information</a>   | 27                  |
| <a href="#">Item 6. Exhibits</a>  | 28                  |
| <a href="#">Signatures</a>  | 29                  |

**Part 1: FINANCIAL INFORMATION**

**Item 1: Consolidated Financial Statements**

**VUZIX CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

|  | (Unaudited)<br>March 31,<br>2024 | December 31,<br>2023 |
|--|----------------------------------|----------------------|
| <b>ASSETS</b>  |                                  |                      |
| <b>Current Assets</b>  |                                  |                      |
| Cash and Cash Equivalents  | \$ 16,501,401                    | \$ 26,555,592        |
| Accounts Receivable, net of allowance for credit losses of \$1,574,000 at March 31, 2024 and December 31, 2023.  | 4,633,400                        | 3,827,686            |
| Accrued Revenues in Excess of Billings   | —                                | 165,771              |
| Utility Improvement Refund/Employee Retention Credit Receivable  | 208,271                          | 208,271              |
| Inventories, Net   | 9,868,255                        | 9,000,430            |
| Manufacturing Vendor Prepayments   | 279,086                          | 403,801              |
| Prepaid Expenses and Other Assets  | 1,184,362                        | 1,338,860            |
| <b>Total Current Assets</b>  | <b>32,674,775</b>                | <b>41,500,411</b>    |
| <b>Long-Term Assets</b>  |                                  |                      |
| Fixed Assets, Net  | 7,922,239                        | 8,072,830            |
| Operating Lease Right-of-Use Asset   | 874,851                          | 301,185              |
| Patents and Trademarks, Net  | 2,732,043                        | 2,627,018            |
| Technology Licenses, Net   | 26,024,067                       | 26,851,001           |
| Cost Method Investment in Atomistic  | 5,784,126                        | 5,784,126            |
| Other Assets, Net  | 969,443                          | 1,011,111            |
| <b>Total Assets</b>  | <b>\$ 76,981,544</b>             | <b>\$ 86,147,681</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                  |                      |
| <b>Current Liabilities</b>   |                                  |                      |
| Accounts Payable   | \$ 1,901,792                     | \$ 1,570,630         |
| Unearned Revenue   | 157,771                          | 18,839               |
| Accrued Expenses   | 851,984                          | 2,416,443            |
| Licensing Fees Commitment  | —                                | 1,000,000            |
| Income and Other Taxes Payable   | 55,926                           | 46,727               |
| Operating Lease Right-of-Use Liability   | 506,372                          | 163,513              |
| <b>Total Current Liabilities</b>   | <b>3,473,845</b>                 | <b>5,216,152</b>     |
| <b>Long-Term Liabilities</b>   |                                  |                      |
| Operating Lease Right-of-Use Liability   | 368,479                          | 137,672              |
| <b>Total Liabilities</b>   | <b>3,842,324</b>                 | <b>5,353,824</b>     |
| <b>Stockholders' Equity</b>  |                                  |                      |
| Common Stock - \$0.001 Par Value, 100,000,000 shares authorized; 65,304,780 shares issued and 64,725,108 shares outstanding as of March 31, 2024 and 65,304,780 shares issued and 64,725,108 shares outstanding as of December 31, 2023. | 65,304                           | 65,304               |
| Additional Paid-in Capital   | 379,582,792                      | 377,189,847          |
| Accumulated Deficit  | (304,032,375)                    | (293,984,793)        |
| Treasury Stock, at cost, 579,672 shares as of March 31, 2024 and December 31, 2023.  | (2,476,501)                      | (2,476,501)          |
| <b>Total Stockholders' Equity</b>  | <b>73,139,220</b>                | <b>80,793,857</b>    |
| <b>Total Liabilities and Stockholders' Equity</b>  | <b>\$ 76,981,544</b>             | <b>\$ 86,147,681</b> |

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

**VUZIX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(Unaudited)**

|                                  | Common Stock      |                  | Additional<br>Paid-In Capital | Accumulated<br>Deficit  | Treasury Stock   |                       | Total                |
|----------------------------------|-------------------|------------------|-------------------------------|-------------------------|------------------|-----------------------|----------------------|
|                                  | Shares            | Amount           |                               |                         | Shares           | Amount                |                      |
| <b>Balance - January 1, 2024</b> | 65,304,780        | \$ 65,304        | \$ 377,189,847                | \$ (293,984,793)        | (579,672)        | \$ (2,476,501)        | \$ 80,793,857        |
| Stock-Based Compensation Expense | —                 | —                | 2,392,945                     | —                       | —                | —                     | 2,392,945            |
| Net Loss                         | —                 | —                | —                             | (10,047,582)            | —                | —                     | (10,047,582)         |
| <b>Balance - March 31, 2024</b>  | <u>65,304,780</u> | <u>\$ 65,304</u> | <u>\$ 379,582,792</u>         | <u>\$ (304,032,375)</u> | <u>(579,672)</u> | <u>\$ (2,476,501)</u> | <u>\$ 73,139,220</u> |

|                                  | Common Stock      |                  | Additional<br>Paid-In Capital | Accumulated<br>Deficit  | Treasury Stock   |                       | Total                 |
|----------------------------------|-------------------|------------------|-------------------------------|-------------------------|------------------|-----------------------|-----------------------|
|                                  | Shares            | Amount           |                               |                         | Shares           | Amount                |                       |
| <b>Balance - January 1, 2023</b> | 63,783,779        | \$ 63,783        | \$ 362,507,715                | \$ (243,835,716)        | (464,672)        | \$ (2,005,744)        | \$ 116,730,038        |
| Stock-Based Compensation Expense | —                 | —                | 3,360,772                     | —                       | —                | —                     | 3,360,772             |
| Stock Option Exercises           | 4,079             | 4                | —                             | —                       | —                | —                     | 4                     |
| Purchases of Treasury Stock      | —                 | —                | —                             | —                       | (115,000)        | (470,757)             | (470,757)             |
| Net Loss                         | —                 | —                | —                             | (10,240,583)            | —                | —                     | (10,240,583)          |
| <b>Balance - March 31, 2023</b>  | <u>63,787,858</u> | <u>\$ 63,787</u> | <u>\$ 365,868,487</u>         | <u>\$ (254,076,299)</u> | <u>(579,672)</u> | <u>\$ (2,476,501)</u> | <u>\$ 109,379,474</u> |

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

**VUZIX CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

|   | <b>Three Months Ended March 31,</b> |                     |
|---|-------------------------------------|---------------------|
|   | <b>2024</b>                         | <b>2023</b>         |
| <b>Sales:</b>   |                                     |                     |
| Sales of Products                                       | \$ 1,829,073                        | \$ 4,191,361        |
| Sales of Engineering Services                           | 174,794                             | —                   |
| <b>Total Sales</b>                                      | <b>2,003,867</b>                    | <b>4,191,361</b>    |
| <b>Cost of Sales:</b>                                   |                                     |                     |
| Cost of Sales - Products Sold                           | 1,807,593                           | 3,082,439           |
| Cost of Sales - Depreciation and Amortization           | 181,566                             | 232,916             |
| Cost of Sales - Engineering Services                    | 67,961                              | —                   |
| <b>Total Cost of Sales</b>                              | <b>2,057,120</b>                    | <b>3,315,355</b>    |
| <b>Gross Profit (Loss)</b>                              | <b>(53,253)</b>                     | <b>876,006</b>      |
| <b>Operating Expenses:</b>                              |                                     |                     |
| Research and Development                                | 2,738,449                           | 3,069,797           |
| Selling and Marketing                                   | 2,220,782                           | 2,539,659           |
| General and Administrative                              | 4,098,257                           | 5,131,824           |
| Depreciation and Amortization                           | 970,377                             | 964,265             |
| Loss on Fixed Asset Disposal                            | 11,277                              | —                   |
| Impairment of Patents and Trademarks                    | —                                   | 17,666              |
| <b>Total Operating Expenses</b>                         | <b>10,039,142</b>                   | <b>11,723,211</b>   |
| <b>Loss From Operations</b>                             | <b>(10,092,395)</b>                 | <b>(10,847,205)</b> |
| <b>Other Income (Expense):</b>                          |                                     |                     |
| Investment Income                                       | 152,599                             | 695,783             |
| Income and Other Taxes                                  | (282)                               | (87,795)            |
| Foreign Exchange Loss                                   | (107,504)                           | (1,366)             |
| <b>Total Other Income, Net</b>                          | <b>44,813</b>                       | <b>606,622</b>      |
| <b>Loss Before Provision for Income Taxes</b>           | <b>(10,047,582)</b>                 | <b>(10,240,583)</b> |
| Provision for Income Taxes                              | —                                   | —                   |
| <b>Net Loss</b>   | <b>(10,047,582)</b>                 | <b>(10,240,583)</b> |
| <b>Basic and Diluted Loss per Common Share</b>          | <b>\$ (0.16)</b>                    | <b>\$ (0.16)</b>    |
| Weighted-average Shares Outstanding - Basic and Diluted | 64,725,108                          | 63,216,598          |

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

**VUZIX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

|  | <b>Three Months Ended March 31,</b> |                      |
|--|-------------------------------------|----------------------|
|  | <b>2024</b>                         | <b>2023</b>          |
| <b>Cash Flows From (Used In) Operating Activities</b>              |                                     |                      |
| Net Loss   | \$ (10,047,582)                     | \$ (10,240,583)      |
| <b>Non-Cash Adjustments</b>  |                                     |                      |
| Depreciation and Amortization                                      | 1,151,943                           | 1,197,181            |
| Stock-Based Compensation   | 2,392,945                           | 3,667,509            |
| Impairment of Patents and Trademarks                               | —                                   | 17,666               |
| Loss on Fixed Asset Disposal                                       | 11,277                              | —                    |
| <b>(Increase) Decrease in Operating Assets</b>                     |                                     |                      |
| Accounts Receivable  | (805,714)                           | 499,815              |
| Accrued Revenues in Excess of Billings                             | 165,771                             | 76,952               |
| Inventories  | (867,825)                           | 406,290              |
| Manufacturing Vendor Prepayments                                   | 124,715                             | 524,636              |
| Prepaid Expenses and Other Assets                                  | 154,498                             | 218,520              |
| <b>Increase (Decrease) in Operating Liabilities</b>                |                                     |                      |
| Accounts Payable   | 331,162                             | 59,618               |
| Accrued Expenses   | (1,564,459)                         | (412,566)            |
| Unearned Revenue   | 138,932                             | 12,391               |
| Income and Other Taxes Payable                                     | 9,199                               | (192,156)            |
| <b>Net Cash Flows Used in Operating Activities</b>                 | <b>(8,805,138)</b>                  | <b>(4,164,727)</b>   |
| <b>Cash Flows Used in Investing Activities</b>                     |                                     |                      |
| Purchases of Fixed Assets  | (101,239)                           | (2,284,968)          |
| Investments in Patents and Trademarks                              | (147,814)                           | (182,628)            |
| Investments in Licenses  | (1,000,000)                         | (2,000,000)          |
| Investments in Software Development                                | —                                   | (125,000)            |
| Investments in Other Assets  | —                                   | (100,000)            |
| <b>Net Cash Flows Used in Investing Activities</b>                 | <b>(1,249,053)</b>                  | <b>(4,692,596)</b>   |
| <b>Cash Flows Provided by (Used in) Financing Activities</b>       |                                     |                      |
| Purchases of Treasury Stock  | —                                   | (470,757)            |
| <b>Net Cash Flows Provided by (Used in) Financing Activities</b>   | <b>—</b>                            | <b>(470,757)</b>     |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>        | <b>(10,054,191)</b>                 | <b>(9,328,080)</b>   |
| Cash and Cash Equivalents - Beginning of Period                    | 26,555,592                          | 72,563,943           |
| <b>Cash and Cash Equivalents - End of Period</b>                   | <b>\$ 16,501,401</b>                | <b>\$ 63,235,863</b> |
| <b>Supplemental Disclosures</b>                                    |                                     |                      |
| Stock-Based Compensation Expense - Expensed less Previously Issued | \$ —                                | \$ 306,737           |

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 (the “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 Months ended March 31, 2024, 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, 2023, as reported in the Company’s Annual Report on Form 10-K filed with the SEC on April 15, 2024.

#### ***Customer Concentrations***

For the three months ended March 31, 2024, one customer represented 60% of total product revenue and two customers represented 68% and 31% of engineering services revenue. For the three months ended March 31, 2023, one customer represented 74% of total product revenue.

As of March 31, 2024, three customers represented 37%, 23%, and 18% of accounts receivable. As of December 31, 2023, two customers represented 47% and 26% 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. The Company incurred net losses for the three months ended March 31, 2024 of \$10,047,582; \$50,149,077 for the year ended December 31, 2023; and \$40,763,573 for the year ended December 31, 2022. The Company had net cash outflows from operations of \$8,805,138 for the three months ended March 31, 2024; \$26,277,824 for the year ended December 31, 2023; and \$24,521,082 for the year ended December 31, 2022. As of March 31, 2024, the Company had an accumulated deficit of \$304,032,375. The Company’s cash outflows for investing activities were \$1,249,053 for the three months ended March 31, 2024; \$19,280,966 for the year ended December 31, 2023; and \$21,170,816 for the year ended December 31, 2022.

These factors initially raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans to alleviate the conditions that raise substantial doubt include the implementation of operational improvements and the curtailment of certain development programs, both of which the Company expects will preserve cash. Management estimates the Company will have sufficient liquidity to fund operations at least through the second quarter of 2025.

[Table of Contents](#)

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2014- 15, Presentation of Financial Statements — Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. As a result, management is primarily responsible for assessing if there is a going concern issue when issuing an entity’s financial statements. The going concern assumption underlies all GAAP financial reporting and therefore requires and assumes that the financial statements have been prepared on a going concern basis. It presumes that a Company will continue normal business operations into the future.

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 one year of the release of the financial statements.

The Company’s cash requirements going forward are primarily for funding operating losses, research and development, working capital, license investments, and capital expenditures. The higher cash outflows for investments in the years ending December 31, 2023 and 2022 were mainly for the Company’s exclusive technology license and equity investment in microLED technology via Atomistic (see Notes 6 and 7). The Company paid \$30,000,000 to Atomistic in the last two fiscal years. The Company currently is negotiating an extension to its existing license with Atomistic, however, there can be no assurance a definitive agreement will be reached or the dollar amount of any such renewal.

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’s management intends to take actions necessary to continue as a going concern, as discussed herein. 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. Management’s plans concerning these matters and managing our liquidity include, among other things:

- Reductions in our cash annual operating expenses by approximately \$8,000,000 for 2024 across all operating areas, representing a reduction of at least 20% as compared to 2023 levels, including the areas of Research and Development, Sales and Marketing and General and Administrative;
- Implementation of a voluntary Company-wide payroll reduction program for all individuals with optional salary reductions of 10% to 50% depending upon the respective base salary level for the period running from May 1, 2024 to April 30, 2025. The expected cash savings will be approximately \$1,600,000 and will result in the issuance of stock awards or stock options, at a rate of 150% or 200%, respectively, of the net cash wage reductions;
- Further reductions of the rate of research and development spending on new technologies, particularly the use of external contractors.
- We do not intend to increase our levels of investing activities for our 2024 fiscal year as compared to 2023, now that our waveguide plant expansion has been completed and the license fees payments under the Atomistic License have been substantially made;
- Right-sizing of operations across all areas of the Company, including head-count hiring freezes or head-count reductions;
- The expected margin contribution upon the commencement of volume manufacturing and sales of waveguides from our new waveguide plant in 2024, particularly to OEM customers;
- Continued pursuit of licensing and strategic opportunities around our waveguide technologies with potential OEMs, which would include the receipt of upfront licensing fees and on-going supply agreements;
- Delayed or curtailed discretionary and non-essential capital expenditures not related to near-term new products;
- Reduction in the rate of new product introductions and further leveraging of existing platforms to reduce new product development and engineering costs;

[Table of Contents](#)

The Company has in the past sold equity securities and in early 2024 entered into a sales agreement with an investment banking firm for the issuance and sale of up to \$50,000,000 of our common stock that may be issued and sold from time to time in an “at the market” offering. Management monitors the capital markets on an ongoing basis and may consider raising capital 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 financings, further curtail expenses, or enter into one of 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.

While there can be no assurance the Company will be able to successfully reduce operating expenses or raise additional capital, management believes its historical success in managing cash flows and obtaining capital will continue into the foreseeable future. However, as a result of this uncertainty, doubt about the Company continuing as a going concern has not been fully alleviated to the satisfaction of its external auditors as noted in their audit report included with to the Company’s 10-K filed with the SEC on April 15, 2024.

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States 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.

***Variable Interest Entities***

The Company determines at the inception of each arrangement whether an entity in which it has made an investment or in which the Company has other variable interests is considered a variable interest entity (VIE). The Company consolidates VIEs when it is the primary beneficiary. The Company is the primary beneficiary of a VIE when it has the power to direct activities that most significantly affect the economic performance of the VIE and have the obligation to absorb the majority of their losses or benefits. If the Company is not the primary beneficiary in a VIE, the Company accounts for the investment or other variable interests in a VIE in accordance with applicable GAAP. At each reporting period, the Company assesses whether any changes in our interest or relationship with the entity affect our determination of whether the entity is a VIE and, if so, whether the Company is the primary beneficiary.

We have an investment in a VIE, Atomistic, in which we are not the primary beneficiary. This VIE includes a private company investment, described further in Notes 6 and 7. We have determined that the governance and operating structures of this entity do not allow us to direct the activities that would significantly affect their economic performance. Therefore, we are not the primary beneficiary, and the results of operations and financial position of this VIE are not included in our consolidated financial statements. We account for this investment as a technology license and an equity investment. The maximum exposure of this unconsolidated VIE is generally based on the current carrying value of the investment. We have determined that the single source of our exposure to this VIE is our capital investment in them. The carrying value and maximum exposure of this unconsolidated VIE was \$31.8 million as of March 31, 2024.

***Recent Accounting Pronouncements Not Yet Adopted***

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topics 740): Improvements to Income Tax Disclosures" to expand the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for our annual periods beginning January 1, 2025, with early adoption permitted. We are currently evaluating the potential effect that the updated standard will have on our financial statement disclosures.

## Note 2 – Revenue Recognition and Contracts with Customers

### Disaggregated Revenue

The Company's total revenue was comprised of two major product lines: Smart Glasses Sales and Engineering Services. The following table summarizes the revenue recognized by major product line:

|                      | Three Months Ended  |                     |
|----------------------|---------------------|---------------------|
|                      | March 31,           |                     |
|                      | 2024                | 2023                |
| <b>Revenues</b>      |                     |                     |
| Products Sales       | \$ 1,829,073        | \$ 4,191,361        |
| Engineering Services | 174,794             | —                   |
| <b>Total Revenue</b> | <b>\$ 2,003,867</b> | <b>\$ 4,191,361</b> |

### 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 our 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 Smart Glasses, Waveguides and Display Engines, and our OEM Products, 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 over time by using the input method measuring progress toward satisfying the performance obligations. Satisfaction of our performance obligations related to our Engineering Services 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 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 of our 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 extended warranties to customers which extend 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 March 31, 2024 and 2023, there were no outstanding performance obligations remaining for extended warranties.

[Table of Contents](#)

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 months ended March 31:

|                          | % of Total Net Sales |       |
|--------------------------|----------------------|-------|
|                          | 2024                 | 2023  |
| Point-in-Time            | 91 %                 | 100 % |
| Over Time – Input Method | 9 %                  | 0 %   |
| Total                    | 100 %                | 100 % |

**Remaining Performance Obligations**

As March 31, 2024, the Company had \$2,825,915 of remaining performance obligations under two current waveguide development projects, which represents the remainder of transaction prices totaling \$3,565,000 under these development agreements, which commenced in 2023, less revenue recognized under percentage of completion to date. The Company expects to recognize the remaining revenue related to these projects, based upon expected due dates, of 58% in 2024 and 42% in 2025. Revenues earned less amounts invoiced at March 31, 2024 was nil and \$165,771 at December 31, 2023.

As of March 31, 2023, the Company had approximately \$165,000 of remaining performance obligations under a current waveguide development project, which represents the remainder of the total transaction price of approximately \$800,000 under this development agreement, less revenue recognized under percentage of completion to date. The Company did recognize the remaining revenue related to this project in the second quarter of 2023.

As of March 31, 2024, the Company had no material outstanding performance obligations related to product sales, other than its standard product warranty.

**Note 3 – Loss Per Share**

Basic loss per share is computed by dividing the loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution from the assumed exercise of stock options. During periods of net loss, all common stock equivalents are excluded from the diluted EPS calculation because they are anti-dilutive. Since the Company reported a net loss for the three months ended March 31, 2024 and 2023, the calculation for basic and diluted earnings per share is considered to be the same, as the impact of potential common shares is anti-dilutive. As of March 31, 2024 and 2023, there were 8,369,154 and 8,603,308 common stock share equivalents, for the three months then ended, respectively, potentially issuable from the exercise of stock options 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:

|                                | March 31,<br>2024 | December 31,<br>2023 |
|--------------------------------|-------------------|----------------------|
| Purchased Parts and Components | \$ 10,358,291     | \$ 9,500,415         |
| Work-in-Process                | 346,759           | 394,923              |
| Finished Goods                 | 4,921,804         | 4,880,643            |
| Less: Reserve for Obsolescence | (5,758,599)       | (5,775,551)          |
| Inventories, Net               | \$ 9,868,255      | \$ 9,000,430         |

**Note 5 – Fixed Assets**

Fixed Assets consisted of the following:

|                                     | March 31,<br>2024   | December 31,<br>2023 |
|-------------------------------------|---------------------|----------------------|
| Tooling and Manufacturing Equipment | \$ 8,783,670        | \$ 8,793,192         |
| Leaseholds                          | 2,863,207           | 3,162,695            |
| Computers and Purchased Software    | 679,138             | 833,794              |
| Furniture and Equipment             | 2,431,846           | 2,580,904            |
|                                     | <u>14,757,861</u>   | <u>15,370,585</u>    |
| Less: Accumulated Depreciation      | (6,835,622)         | (7,297,755)          |
| Fixed Assets, Net                   | <u>\$ 7,922,239</u> | <u>\$ 8,072,830</u>  |

December 31, 2023 asset groupings have been reclassified to conform with March 31, 2024 presentation.

Total depreciation expense for fixed assets for the three months ended March 31, 2024 and 2023 was \$290,820 and \$285,997, respectively.

**Note 6 – Technology Licenses, Net**

The changes in the Company's Technology Licenses for the three months ended March 31, 2024, were as follows:

|                                | March 31,<br>2024    | December 31,<br>2023 |
|--------------------------------|----------------------|----------------------|
| Licenses                       | \$ 32,443,356        | \$ 32,443,356        |
| Additions                      | —                    | —                    |
| Less: Accumulated Amortization | (6,419,289)          | (5,592,355)          |
| Licenses, Net                  | <u>\$ 26,024,067</u> | <u>\$ 26,851,001</u> |

Total amortization expense related to technology licenses for the three months ended March 31, 2024, and 2023 was \$818,334 and \$867,153, respectively.

These intangible technology license assets are being amortized over a ten-year period, which began on May 12, 2022 and, as modified, on December 16, 2022. The Atomistic technology license represents \$30,000,000 of the total licenses on-hand. The remaining funding commitment of \$1,000,000 associated with this license was paid in January 2024.

Until such time as the Company owns a controlling interest in Atomistic following by the issuance of Vuzix shares (see Note 12) for the completion of all development milestones, or is permitted to waive them and accelerate the share issuances for 100% ownership of Atomistic, the Company and Atomistic must negotiate every 12 to 24 months new license fee commitments for the extension of the Company's exclusive license. If such amounts cannot be agreed this would result in the termination of Vuzix's existing license to the Atomistic technologies.

**Note 7 – Investment in Atomistic**

In November 2023, Atomistic successfully reached six of ten technological milestones under its technology license agreement (Note 6) with the Company executed on December 16, 2022. As a result of these achievements, the Company issued to the Atomistic Founders 1,397,500 shares of the Company's common stock and paid them \$2,500,000 in exchange for 13,682 shares of Series A Preferred stock of Atomistic. The fair market value of the common shares when issued was \$2.35 per share or a total of \$3,284,126.

[Table of Contents](#)

The stock of Atomistic does not have a readily determinable fair value, as it's a private company; therefore, under ASC 321, the investment in Atomistic stock is accounted for at cost, unless a transaction occurs, indicating a known fair value or if indications of an impairment of the investment are known. The Company reviewed its investment in Atomistic for impairment and no indicators of impairment have occurred on or before March 31, 2024.

**Note 8 - Other Assets**

The Company's Other Assets, were as follows:

|   | March 31,<br>2024 | December 31,<br>2023 |
|---|-------------------|----------------------|
| Private Corporation Investments                 | \$ 650,000        | \$ 450,000           |
| Additions                                       | —                 | 200,000              |
| Total Private Corporation Investments (at cost) | 650,000           | 650,000              |
| Software Development Costs                      | 1,000,000         | 875,000              |
| Additions                                       | —                 | 125,000              |
| Less: Accumulated Amortization                  | (680,557)         | (638,889)            |
| Software Development Costs, Net                 | 319,443           | 361,111              |
| Total Other Assets                              | \$ 969,443        | \$ 1,011,111         |

During the year ended December 31, 2021, the Company acquired, for a purchase price of \$200,000, an ownership interest of 3%, in the form of preferred stock, in a private corporation developing smart glasses software for use by retailers in the stockkeeping of inventory, amongst other uses. In the year ended December 31, 2023, the Company purchased an additional \$100,000 of preferred stock in this corporation to retain a 2% ownership interest.

In June 2023, the Company purchased \$100,000 of preferred stock, along with warrants, in a UK-based public company developing new semiconductor materials for displays. The investment represents less than a 1% ownership interest.

Total amortization expense related to all software updates, included in cost of sales, for the three months ended March 31, 2024, and 2023 were \$41,668 and \$55,556, respectively.

**Note 9 – Accrued Expenses**

Accrued expenses consisted of the following:

|                                 | March 31,<br>2024 | December 31,<br>2023 |
|---------------------------------|-------------------|----------------------|
| Accrued Wages and Related Costs | \$ 468,458        | \$ 1,711,707         |
| Accrued Professional Services   | 160,425           | 362,100              |
| Accrued Warranty Obligations    | 133,780           | 188,249              |
| Other Accrued Expenses          | 89,321            | 154,387              |
| Total                           | \$ 851,984        | \$ 2,416,443         |

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.

[Table of Contents](#)

The changes in the Company's accrued warranty obligations for the three months ended March 31, 2024, were as follows:

|   |                   |
|---|-------------------|
| Accrued Warranty Obligations at December 31, 2023 | \$ 188,249        |
| Reductions for Settling Warranties                | (109,341)         |
| Warranties Issued During Period                   | 54,872            |
| Accrued Warranty Obligations at March 31, 2024    | <u>\$ 133,780</u> |

**Note 10 – Income Taxes**

The Company's effective income tax rate is a combination of federal, state and foreign tax rates and differs from the U.S. statutory rate due to taxes on foreign income, permanent differences including tax-exempt interest, and the resolution of tax uncertainties, offset by a valuation allowance against U.S. deferred income tax assets.

**Note 11 – Capital Stock**

***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. A total of 5,000,000 shares of preferred stock with a par value of \$0.001 are authorized as of March 31, 2024, and December 31, 2023. Of this total, 49,626 shares are designated as Series A Preferred Stock. There were nil shares of Series A Preferred Stock issued and outstanding on March 31, 2024, and December 31, 2023.

***Common Stock***

The Company's authorized common stock consists of 100,000,000 shares, par value of \$0.001. There were 65,304,780 shares issued and 64,725,108 shares outstanding as of March 31, 2024 and December 31, 2023.

In connection with the Atomistic Technology Licenses discussed in Note 6, on November 20, 2023, the Company issued a total of 1,397,500 shares of common stock to the Founders of Atomistic SAS ("Atomistic") for the achievement of certain technological milestones under a license agreement entered into between the Company, Atomistic and the Founders, along with cash consideration in exchange for equity in Atomistic (see Note 7). Pursuant to the Stock Purchase Agreement with Atomistic and its Founders, the Company will, contingent upon completion of certain deliverables and the achievement of further milestones contained in the Atomistic Agreements, be committed to issue, depending on the Company's share price at the time of their issuance, a further minimum of approximately 890,000 up to a maximum of 1,446,250 common shares to the Founders of Atomistic (as consideration for certain shares of Atomistic) which would result in Vuzix owning Series A Preferred shares in Atomistic that would be converted into ordinary shares of Atomistic and Vuzix ultimately owning nearly 100% of Atomistic, with Atomistic becoming a subsidiary of the Company.

Within five years of the commencement of the Atomistic Agreements, the Company has agreed to issue up to a 15% equity bonus of the previously issued common shares to Atomistic stockholders, if: (i) the Company engages in a change-of-control transaction for an implied equity value of at least \$3.5 billion or (ii) the Company's market valuation exceeds \$3.5 billion. This could result in the issuance of an additional 291,346 to 473,438 shares of the Company's common stock when that valuation target is exceeded. None of these share commitments have been issued to date.

***Treasury Stock***

On March 2, 2022, our Board of Directors approved the repurchase by the Company of up to an aggregate of \$25 million of our common stock by open market or privately negotiated transactions under the Share Buyback Program. This program was in effect for one year and expired on March 2, 2023. During the three months ended March 31, 2023, the

[Table of Contents](#)

Company repurchased 115,000 shares of our common stock at an average cost of \$4.06, before commission of \$0.03 per share. As of March 31, 2024, 579,672 shares of our common stock were held in treasury.

**Note 12 – Stock-Based Compensation**

A summary of stock option activity related to the Company’s standard employee incentive plan (excluding options awarded under the Long-Term Incentive Plan (LTIP) – Note 13) for the three months ended March 31, 2024, is as follows:

|                                  | Number of<br>Options | Weighted<br>Average<br>Exercise Price | Average<br>Remaining Life<br>(years) |
|----------------------------------|----------------------|---------------------------------------|--------------------------------------|
| Outstanding at December 31, 2023 | 2,911,308            | \$ 7.60                               | 6.30                                 |
| Granted                          | —                    | —                                     | —                                    |
| Exercised                        | —                    | —                                     | —                                    |
| Expired or Forfeited             | (276,654)            | 7.10                                  | —                                    |
| Outstanding at March 31, 2024    | <u>2,634,654</u>     | <u>\$ 7.65</u>                        | <u>5.79</u>                          |

The weighted average remaining contractual term for all options as of March 31, 2024, and December 31, 2023, was 5.79 years and 6.30 years, respectively.

As of March 31, 2024, there were 2,093,850 options that were fully vested and exercisable at a weighted average exercise price of \$7.22 per share. The weighted average remaining contractual term of the vested options is 5.2 years.

As of March 31, 2024, there were 540,804 unvested options exercisable at a weighted average exercise price of \$9.35 per share. The weighted average remaining contractual term of the unvested options is 8.0 years.

The weighted average fair value of option grants was calculated using the Black-Scholes-Merton option pricing method. As of March 31, 2024, the Company had \$3,426,239 of unrecognized stock compensation expense, which will be recognized over a weighted average period of 1.6 years.

For the three months ended March 31, 2024, and 2023, the Company recorded total stock-based compensation expense, including stock awards but excluding stock option awards under the Company’s LTIP, of \$983,650 and \$1,129,566, respectively.

**Note 13 – Long-Term Incentive Plan**

On March 17, 2021, the Company granted options to purchase a total of 5,784,000 shares of common stock to its officers and certain other members of its management team. The options were granted under the Company’s existing 2014 Incentive Stock Plan. The options have an exercise price of \$19.00, with 375,000 options vesting immediately and the remaining portion vesting upon the achievement of certain equity market capitalization milestones, and revenue and EBITDA operational milestones. For the three months ended March 31, 2024, and 2023, the Company recorded non-cash stock-based compensation expense of \$1,409,294 and \$2,537,944, respectively, for options that vested or are probable to vest. 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.

The fair value of option grants was calculated using a Monte Carlo simulation for the equity market capitalization tranches and the Black-Scholes-Merton option pricing method for the operational milestone tranches. As of March 31, 2024, we had \$7,384,031 of total unrecognized stock-based compensation expense for the portion of options tied to equity market capitalization milestones and the portion of options tied to operational milestones that were considered probable of achievement, all of which are being recognized over a service period of up to three to four years.

[Table of Contents](#)

The probabilities of the milestone achievements are subject to catch-up adjustments in each instance where an equity market capitalization milestone is achieved or when an operational milestone becomes probable to be achieved or is achieved. Compensation costs could be reversed in subsequent periods if an awardee leaves the Company prior to the completion of the requisite service period for market capitalization milestone or performance award vesting of a performance award no longer determined to be probable. If such milestones are achieved earlier in their expected service periods, the remaining unrecognized compensation expense related to that particular milestone would be accelerated and recognized in full during the period where that achievement is affirmed by the Board of Directors. As of March 31, 2024, and going forward, should all of the operational milestones which are currently not yet deemed probable of achievement become probable of achievement or are achieved, then the Company could ultimately recognize up to an additional \$34 million in non-cash stock-based compensation expense at such time.

The unvested remaining equity market and operational milestones under the LTIP with their total related option grants and criteria achievement weightings of the options available for meeting a target are shown in the following table. Of the total 5,359,500 unvested options outstanding as of March 31, 2024, there are 2,679,750 options unvested for the achievement of Equity Market Capitalization targets, 1,875,825 unvested options for the achievement of annual revenue targets, and 803,925 unvested options for the achievement of annual EBITDA Margins Before Non-Cash Charges targets.

| Award Potential                           | Criteria Achievement Weighting            |                                      |                                     |       |
|---|---|--------------------------------------|-------------------------------------|-------|
|   | 50% of Options Available                  | 35% of Options Available             | 15% of Options Available            |       |
| Options Available<br>(Subject to Vesting) | Equity Market<br>Capitalization<br>Target | Last Twelve Months Revenue<br>Target | Last Twelve Months EBITDA<br>Target |       |
|   | 680,500                                   | \$ 2,000,000,000                     | \$ 25,000,000                       | 0.0%  |
|   | 680,500                                   | 3,000,000,000                        | 50,000,000                          | 2.0%  |
|   | 680,500                                   | 4,000,000,000                        | 100,000,000                         | 4.0%  |
|   | 680,500                                   | 5,000,000,000                        | 200,000,000                         | 6.0%  |
|   | 580,500                                   | 6,000,000,000                        | 300,000,000                         | 8.0%  |
|   | 580,500                                   | 7,000,000,000                        | 450,000,000                         | 10.0% |
|   | 555,500                                   | 8,000,000,000                        | 675,000,000                         | 12.0% |
|   | 485,500                                   | 9,000,000,000                        | 1,000,000,000                       | 14.0% |
|   | 435,500                                   | 10,000,000,000                       | 1,500,000,000                       | 16.0% |
|   | 5,359,500                                 |                                      |                                     |       |

**Note 14 – Litigation**

We are not currently involved in any actual or pending legal proceedings or litigation we consider to be material, and we are not aware of any such material proceedings contemplated by or against us or involving our property.

**Note 15 – Right-of-Use Assets and Liabilities**

Future lease payments under operating leases as of March 31, 2024, were as follows:

|                               |            |
|-------------------------------|------------|
| 2024                          | \$ 418,892 |
| 2025                          | 511,980    |
| Total Future Lease Payments   | 930,872    |
| Less: Imputed Interest        | (56,021)   |
| Total Lease Liability Balance | \$ 874,851 |

The Company has signed lease agreements, with the largest being for its office and manufacturing facility in the West Henrietta, New York area under an operating lease that commenced October 3, 2015, and was set to expire on October 3, 2020. This lease had an original five-year term with an option by the Company to renew for two additional three-year terms at pre-agreed to lease rates. On June 25, 2020, the Company exercised the first of two renewal terms, extending the current lease term to January 31, 2024. On January 16, 2024, the Company exercised the second renewal

extending the current lease term to November 30, 2025. As a result, the Company recorded an additional Right-of-Use asset and Right-of-Use liability of \$700,770 on the Consolidated Balance Sheets as of January 16, 2024.

Operating lease costs under the operating leases totaled \$191,505 and \$203,339 for the three months ended March 31, 2024, and 2023, respectively.

As of March 31, 2024, the weighted average discount rate was 8.3% and the weighted average remaining lease term was 1.7 years.

#### **Note 16 – Subsequent Events**

On May 6, 2024, the Company implemented a voluntary Company-wide payroll reduction program for all individuals with optional salary reductions of 10% to 50% depending upon the respective base salary level for the period running from May 1, 2024 to April 30, 2025. The expected cash savings will be approximately \$1,600,000 and will result in the issuance of stock awards or stock options, at a rate of 150% or 200%, respectively, of the net cash wage reductions.

The fair market value of these stock awards and stock option awards has been determined at \$1.33 and \$0.99, respectively, and a total of 585,345 stock awards and 2,150,008 stock option awards were issued. These awards are subject to vesting and resale rules.

#### **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, 2023.*

*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, achievement of equity market capitalization and probability of operational milestones being achieved under our LTIP, 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.

[Table of Contents](#)

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;
- Variable Interest Entities;
- Business combinations;
- Carrying value of long-lived 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, 2023. There have been no significant changes in our accounting policies for the three months ended March 31, 2024.

***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 and Augmented Reality (AR) glasses. 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 micro-display 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 AR products, we are focused on the enterprise, defense, industrial, medical and commercial markets. 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 AR and Smart Glasses products, waveguide optics, microLEDs and display engine technology.

All of the mobile displays and wearable and mobile electronics markets in which we compete, including mobile and wearable displays and electronics, have been and continue to be subject to consistent and rapid technological

[Table of Contents](#)

change, with ever greater capabilities and performance, including mobile devices with larger screen sizes and improved display resolutions as well as, in many cases, reductions in pricing for mobile devices. As a result, we must continue to improve our products' performance and lower our costs. We believe our intellectual property portfolio gives us a leadership position in the design and manufacturing of micro-display projection engines, waveguides, mechanical packaging, ergonomics, and optical systems.

**Recent Accounting Pronouncements**

See Note 1 to the Unaudited Consolidated Financial Statements.

[Table of Contents](#)

**Results of Operations**

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

The following table compares the Company's consolidated statements of operations data for the three months ended March 31, 2024 and 2023:

|   | Three Months Ended March 31, |                        |                    |                          |
|---|------------------------------|------------------------|--------------------|--------------------------|
|   | 2024                         | 2023                   | Dollar<br>Change   | % Increase<br>(Decrease) |
| <b>Sales:</b>                                 |                              |                        |                    |                          |
| Sales of Products                             | \$ 1,829,073                 | \$ 4,191,361           | \$ (2,362,288)     | (56)%                    |
| Sales of Engineering Services                 | 174,794                      | —                      | 174,794            | NM                       |
| <b>Total Sales</b>                            | <b>2,003,867</b>             | <b>4,191,361</b>       | <b>(2,187,494)</b> | <b>(52)%</b>             |
| <b>Cost of Sales:</b>                         |                              |                        |                    |                          |
| Cost of Sales - Products                      | 1,807,593                    | 3,082,439              | (1,274,846)        | (41)%                    |
| Cost of Sales - Depreciation and Amortization | 181,566                      | 232,916                | (51,350)           | (22)%                    |
| Cost of Sales - Engineering Services          | 67,961                       | —                      | 67,961             | NM                       |
| <b>Total Cost of Sales</b>                    | <b>2,057,120</b>             | <b>3,315,355</b>       | <b>(1,258,235)</b> | <b>(38)%</b>             |
| <b>Gross Profit (Loss)</b>                    | <b>(53,253)</b>              | <b>876,006</b>         | <b>(929,259)</b>   | <b>(106)%</b>            |
| Gross Profit (Loss)%                          | (3)%                         | 21 %                   |                    |                          |
| <b>Operating Expenses:</b>                    |                              |                        |                    |                          |
| Research and Development                      | 2,738,449                    | 3,069,797              | (331,348)          | (11)%                    |
| Selling and Marketing                         | 2,220,782                    | 2,539,659              | (318,877)          | (13)%                    |
| General and Administrative                    | 4,098,257                    | 5,131,824              | (1,033,567)        | (20)%                    |
| Depreciation and Amortization                 | 970,377                      | 964,265                | 6,112              | 1 %                      |
| Loss on Fixed Asset Disposal                  | 11,277                       | —                      | 11,277             | NM                       |
| Impairment of Patents and Trademarks          | —                            | 17,666                 | (17,666)           | (100)%                   |
| <b>Loss from Operations</b>                   | <b>(10,092,395)</b>          | <b>(10,847,205)</b>    | <b>754,810</b>     | <b>(7)%</b>              |
| <b>Other Income (Expense):</b>                |                              |                        |                    |                          |
| Investment Income                             | 152,599                      | 695,783                | (543,184)          | (78)%                    |
| Income and Other Taxes                        | (282)                        | (87,795)               | 87,513             | (100)%                   |
| Foreign Exchange Loss                         | (107,504)                    | (1,366)                | (106,138)          | 7,770 %                  |
| <b>Total Other Income, Net</b>                | <b>44,813</b>                | <b>606,622</b>         | <b>(561,809)</b>   | <b>(93)%</b>             |
| <b>Loss Before Provision for Income Taxes</b> | <b>(10,047,582)</b>          | <b>(10,240,583)</b>    | <b>193,001</b>     | <b>(2)%</b>              |
| Provision for Income Taxes                    | —                            | —                      | —                  | — %                      |
| <b>Net Loss</b>                               | <b>\$ (10,047,582)</b>       | <b>\$ (10,240,583)</b> | <b>\$ 193,001</b>  | <b>(2)%</b>              |

[Table of Contents](#)

*Sales.* There was a decrease in total sales for the three months ended March 31, 2024, compared to the same period in 2023 of \$2,187,494, or 52%. The following table reflects the major components of our sales:

|                                  | Three Months Ended<br>March 31, 2024 | % of<br>Total Sales | Three Months Ended<br>March 31, 2023 | % of<br>Total Sales | Dollar<br>Change      | % Increase<br>(Decrease) |
|----------------------------------|--------------------------------------|---------------------|--------------------------------------|---------------------|-----------------------|--------------------------|
| Sales of Products                | \$ 1,829,073                         | 91 %                | \$ 4,191,361                         | 100 %               | \$ (2,362,288)        | (56)%                    |
| Sales of Engineering<br>Services | 174,794                              | 9 %                 | —                                    | 0 %                 | 174,794               | NM                       |
| <b>Total Sales</b>               | <b>\$ 2,003,867</b>                  | <b>100 %</b>        | <b>\$ 4,191,361</b>                  | <b>100 %</b>        | <b>\$ (2,187,494)</b> | <b>(52)%</b>             |

Sales of products decreased by 56% for the three months ended March 31, 2024, compared to the same period in 2023. Lack of smart glasses revenue was the primary driver of this decrease as unit sales of our M400 product decreased compared to the previous year's comparable period.

Sales of engineering services for the three months ended March 31, 2024, was \$174,794, compared to nil in the comparable 2023 period.

*Cost of Sales and Gross Profit (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 goods sold:

|                                       | Three Months Ended<br>March 31, 2024 | As % Related<br>Total Sales | Three Months Ended<br>March 31, 2023 | As % Related<br>Total Sales | Dollar<br>Change      | % Increase<br>(Decrease) |
|---------------------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|-----------------------|--------------------------|
| Product Cost of Sales                 | \$ 1,317,345                         | 66 %                        | \$ 2,546,951                         | 61 %                        | \$ (1,229,606)        | (48)%                    |
| Manufacturing Overhead -<br>Unapplied | 490,248                              | 25 %                        | 535,488                              | 13 %                        | (45,240)              | (8)%                     |
| Depreciation and Amortization         | 181,566                              | 9 %                         | 232,916                              | 6 %                         | (51,350)              | (22)%                    |
| Engineering Services Costs Sales      | 67,961                               | 3 %                         | —                                    | — %                         | 67,961                | NM                       |
| <b>Total Cost of Sales</b>            | <b>\$ 2,057,120</b>                  | <b>103 %</b>                | <b>\$ 3,315,355</b>                  | <b>79 %</b>                 | <b>\$ (1,258,235)</b> | <b>(38)%</b>             |
| <b>Gross Profit (Loss)</b>            | <b>\$ (53,253)</b>                   | <b>(3)%</b>                 | <b>\$ 876,006</b>                    | <b>21 %</b>                 | <b>\$ (929,259)</b>   | <b>(106)%</b>            |

For the three months ended March 31, 2024, there was a gross loss from total sales of \$53,253 or 3% as compared to a gross profit of \$876,006 or 21% in the comparable period in 2023.

Unapplied manufacturing overhead costs, not already added in product cost of sales, decreased by \$45,240 or 8% for the three months ended March 31, 2024, over the 2023 comparable period. Such costs, however, increased as a percentage of total sales to 25% as compared to 13% in 2023 due to lower quarterly product revenue. The decrease in the net dollar amount of these unapplied overhead costs in the current period versus the prior period was primarily driven by improvements in actual versus originally planned production levels during the period.

[Table of Contents](#)

*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<br>March 31, 2024 | % of<br>Total Sales | Three Months Ended<br>March 31, 2023 | % of<br>Total Sales | Dollar<br>Change | % Increase<br>(Decrease) |
|--------------------------|--------------------------------------|---------------------|--------------------------------------|---------------------|------------------|--------------------------|
| Research and Development | \$ 2,738,449                         | 137 %               | \$ 3,069,797                         | 73 %                | \$ (331,348)     | (11)%                    |

Research and development expenses for the three months ended March 31, 2024 decreased by \$331,348 or 11%, compared to the comparable period in 2023. This decrease was largely due to a \$281,116 decrease in salary and benefits related expenses and a \$58,595 reduction in external development 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<br>March 31, 2024 | % of<br>Total Sales | Three Months Ended<br>March 31, 2023 | % of<br>Total Sales | Dollar<br>Change | % Increase<br>(Decrease) |
|-----------------------|--------------------------------------|---------------------|--------------------------------------|---------------------|------------------|--------------------------|
| Selling and Marketing | \$ 2,220,782                         | 111 %               | \$ 2,539,659                         | 61 %                | \$ (318,877)     | (13)%                    |

Selling and marketing expenses for the three months ended March 31, 2024 decreased by \$318,877 or 13%, compared to the comparable period in 2023. This decrease was largely due to a \$155,707 decrease in salary and benefits related expenses driven by headcount decreases; a decrease of \$195,217 in advertising and tradeshow expenses; and a decrease of \$41,137 in travel related expenses; partially offset by an increase of \$53,936 in consulting fees.

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

|                            | Three Months Ended<br>March 31, 2024 | % of<br>Total Sales | Three Months Ended<br>March 31, 2023 | % of<br>Total Sales | Dollar<br>Change | % Increase<br>(Decrease) |
|----------------------------|--------------------------------------|---------------------|--------------------------------------|---------------------|------------------|--------------------------|
| General and Administrative | \$ 4,098,257                         | 205 %               | \$ 5,131,824                         | 122 %               | \$ (1,033,567)   | (20)%                    |

General and administrative expenses for the three months ended March 31, 2024, decreased by \$1,033,567 or 20%, compared to the comparable period in 2023. This decrease was largely due to a decrease of \$915,307 in salary and benefits related expenses, which was primarily driven by a decrease in non-cash stock-based compensation; a decrease of \$308,884 in investor relations expenses; and a decrease of \$48,057 in insurance premiums; partially offset by an increase of \$263,637 in legal expenses.

*Depreciation and Amortization.* Depreciation and amortization expense, not included in cost of sales, for the three months ended March 31, 2024, was \$970,377, compared to \$964,265 in the comparable period in 2023 or relatively flat.

[Table of Contents](#)

*Other Income, Net.* Total other income was \$44,813 for the three months ended March 31, 2024, compared to other income of \$606,622 in the comparable period in 2023, a decrease of \$561,809. The overall decrease in other income was primarily the result of a decrease of \$543,184 in investment income due to lower excess cash on-hand to invest; an increase of \$106,138 in foreign exchange losses; partially offset by a decrease in Income and Other Taxes of \$87,513.

*Provision for Income Taxes.* There was not a provision for income taxes in the respective three-month periods ending March 31, 2024, and 2023.

**Liquidity and Capital Resources**

**Capital Resources:** As of March 31, 2024, we had cash and cash equivalents of \$16,501,401, a decrease of \$10,054,191 from \$26,555,592 as of December 31, 2023.

As of March 31, 2024, we had current assets of \$32,674,775 compared to current liabilities of \$3,473,845 which resulted in a positive working capital position of \$29,200,930. As of December 31, 2023, we had a working capital position of \$36,284,259. Our current liabilities are comprised principally of accounts payable, accrued expenses, licensing fee commitments, and operating lease right-of-use liabilities.

**Summary of Cash Flows:**

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

|                                       | March 31,<br>2024 | March 31,<br>2023 |
|---------------------------------------|-------------------|-------------------|
| <b>Net Cash Provided by (used in)</b> |                   |                   |
| Operating Activities                  | \$ (8,805,138)    | \$ (4,164,727)    |
| Investing Activities                  | (1,249,053)       | (4,692,596)       |
| Financing Activities                  | -                 | (470,757)         |

During the three months ended March 31, 2024 we used \$8,805,138 of cash for operating activities. Net changes in working capital items were \$2,313,721 for the three months ended March 31, 2024, with the largest factors resulting from a \$1,564,459 decrease in accrued expenses; a \$743,110 increase in inventory and vendor prepayments; and a \$639,943 increase in trade accounts and other receivables. For the three months ended March, 2023 we used a total of \$4,164,727 in cash for operating activities.

During the three months ended March 31, 2024 we used \$1,249,053 of cash for investing activities, which included \$1,000,000 in payments made towards our technology license fee commitment with Atomistic, as discussed in Note 6, and \$147,814 in patent and trademark expenditures. For the three months ended March 31, 2023, we used a total of \$4,692,596 in cash for investing activities.

During the three months ending March 31, 2024, we used nil net cash for financing activities. For the three months ended March 31, 2023, we used \$470,757 in net cash for financing activities.

In connection with the Atomistic Technology License discussed in Note 6 and as of the date of this 10-Q report, the Company is in active negotiations with Atomistic for an extension of our exclusive license to its technology, which currently expires on June 30, 2024. There can be no assurance a definitive agreement will be reached.

The Company's cash requirements are primarily for funding operating losses, working capital, research and development, capital expenditures, and license fee commitments. Our operations have historically been financed primarily through net proceeds from the sale of our equity securities. The Company incurred net losses for the three months ended March 31, 2024 of \$10,047,582; \$50,149,077 for the year ended December 31, 2023; and \$40,763,573 for the year ended December 31, 2022. The Company had net cash outflows from operations of \$8,805,138 for the three

[Table of Contents](#)

months ended March 31, 2024; \$26,277,824 for the year ended December 31, 2023; and \$24,521,082 for the year ended December 31, 2022, respectively. As of March 31, 2024 the Company had an accumulated deficit of \$304,032,375. The Company's cash outflows for investing activities were \$1,249,053 for the three months ended March 31, 2024; \$19,280,966 for the year ended December 31, 2023; and \$21,170,816 for the year ended December 31, 2022.

As of March 31, 2024, our principal sources of liquidity consisted of cash and cash equivalents of \$16,501,401.

The factors above 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 below. 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 raise new equity and/or debt capital. Management's plans concerning these matters and managing our liquidity include, among other things:

- Reductions in our cash annual operating expenses by approximately \$8,000,000 for 2024 across all operating areas, representing a reduction of at least 20% as compared to 2023 levels, including the areas of Research and Development, Sales and Marketing and General and Administrative;
- Implementation of a voluntary Company-wide payroll reduction program for all individuals with optional salary reductions of 10% to 50% depending upon the respective base salary level for the period running from May 1, 2024 to April 30, 2025. The expected cash savings will be approximately \$1,600,000 and will result in the issuance of stock awards or stock options, at a rate of 150% or 200%, respectively, of the net cash wage reductions;
- Further reductions of the rate of research and development spending on new technologies, particularly the use of external contractors.
- We do not intend to increase our levels of investing activities for our 2024 fiscal year as compared to 2023, now that our waveguide plant expansion has been completed and the license fees payments under the Atomistic License have been substantially made;
- Right-sizing of operations across all areas of the Company, including head-count hiring freezes or head-count reductions;
- The expected margin contribution upon the commencement of volume manufacturing and sales of waveguides from our new waveguide plant in 2024, particularly to OEM customers;
- Continued pursuit of licensing and strategic opportunities around our waveguide technologies with potential OEMs, which would include the receipt of upfront licensing fees and on-going supply agreements;
- Delayed or curtailed discretionary and non-essential capital expenditures not related to near-term new products;
- Reduction in the rate of new product introductions and further leveraging of existing platforms to reduce new product development and engineering costs;

The Company has in the past sold equity securities and in early 2024 entered into a sales agreement with an investment banking firm for the issuance and sale of up to \$50,000,000 of our common stock that may be issued and sold from time to time in an "at the market" offering. Management monitors the capital markets on an ongoing basis and may consider raising capital 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 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.

#### **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

[Table of Contents](#)

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” in this report and under Item 1A and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2023, 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, 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**

We invest our excess cash in high-quality short-term corporate debt instruments, which bear lower levels of relative risk. We believe that the effect, if any, of possible near-term changes in interest rates on our financial position, results of operations, and cash flows should not be material to our cash flows or income. It is possible that interest rate movements would increase our unrealized gain or loss on interest rate securities purchased at a discount. We are exposed to changes in foreign currency exchange rates primarily through transaction gains and losses as a result of non-U.S. dollar denominated cash flows related to business activities in Japan and Europe. We do not currently hedge our foreign currency exchange rate risk. We estimate that any market risk associated with our international operations is unlikely to have a material adverse effect on our business, financial condition or results of operation.

**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 ineffective at March 31, 2024 due to the material weakness disclosed in the Company’s Form 10-K for the year ending December 31, 2023 filed on April 15, 2024.

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 not currently involved in any actual or pending legal proceedings or litigation we consider to be material, and we are not aware of any such proceedings contemplated by or against us or involving our property.

**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, 2023. There have been no material changes from those risk factors. The risks discussed in our 2023 Annual Report could materially affect our business, financial condition and future results.

**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 March 31, 2024, 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 March 31, 2024 by our directors and Section 16 officers.

**Item 6. Exhibits**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 31.1               | <a href="#">Certification of the Chief Executive Officer of the Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a> *   |
| 31.2               | <a href="#">Certification of the Chief Financial Officer of the Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a> *   |
| 32.1               | <a href="#">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.</a> ** |
| 32.2               | <a href="#">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.</a> ** |
| 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: May 9, 2024

By: /s/ Paul Travers

Paul Travers  
President, Chief Executive Officer  
(Principal Executive Officer)

Date: May 9, 2024

By: /s/ Grant Russell

Grant Russell  
Executive Vice President and Chief Financial  
Officer  
(Principal Financial and Accounting Officer)

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: May 9, 2024

/s/ Paul Travers

Paul Travers  
President and Chief Executive Officer

---

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: May 9, 2024

/s/ Grant Russell

Grant Russell

Executive Vice President and Chief Financial Officer

---

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 March 31, 2024 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: May 9, 2024

---

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 March 31, 2024 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: May 9, 2024

---