UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2024

☐ **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	**04-3392453**
(State of incorporation)	*(I.R.S. employer identification no.)*
25 Hendrix Road	
West Henrietta, New York	**14586**
(Address of principal executive office)	*(Zip code)*

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

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

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

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes þ 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 emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer þ	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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☐ No ☑

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates as of June 30, 2024 was approximately $81,700,000 (based on the closing price of the common stock of $1.35 per share on that date, as reported on the NASDAQ Capital Market and, for purposes of this computation only, the assumption that all of the registrant's directors and executive officers are affiliates and that beneficial holders of 10% or more of the outstanding common stock are affiliates).

As of March 13, 2025, there were 76,242,415 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference portions of the registrant's proxy statement for its 2025 annual meeting of stockholders.

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FORWARD-LOOKING STATEMENTS

This annual 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 our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business." Forward-looking statements contained in this Annual Report on Form 10-K 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 display 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 demand and adequately manage 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 and manufacturers, as well as 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 impact of further pandemics like COVID-19 on our business and our response to it;
- the effect of future regulations; and
- general market, political, economic and business conditions.

All statements in this annual 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.

Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made, and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as may be required by applicable law. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements.

Part 1

Item 1. *Business*

Company Overview

Incorporated in Delaware in 1997, Vuzix Corporation ("Vuzix" or "the Company") is a leading designer, manufacturer, and marketer of Artificial Intelligence (AI)-powered Smart Glasses, Waveguides, and Augmented Reality (AR) technologies. Our solutions serve the enterprise, medical, defense, security, and select consumer markets, offering cutting-edge wearable computing and display technologies that enhance productivity and operational efficiency.

Our product lineup includes near-eye displays (NEDs), heads-up displays (HUDs), and wearable computing devices that provide users with a high-quality, portable viewing experience. These smart display systems—worn like eyeglasses or attached to a head-mounted frame—typically include cameras, sensors, and onboard computing that allow users to view, record, and interact with video and digital content, including internet-based applications, cloud-based AI assistants, and real-time AR overlays. Our proprietary waveguide optics and display engines, which can power both Vuzix-branded Smart Glasses and third-party Original Design Manufacturers ("ODM") and Original Equipment Manufacturers ("OEM") devices, set us apart in the AR industry.

Historically, most AR and AI-enabled wearable displays have been bulky, goggle-like headsets that limit widespread adoption. Vuzix has developed thin, fully see-through waveguides that integrate miniature display engines into the temples of the glasses, significantly reducing weight and form factor. Our Smart Glasses are designed for all-day use, with some models compact enough to fit in a pocket or purse. Unlike many competing products, Vuzix Smart Glasses require no external cabling or tethering to a separate computing device or battery pack.

Our waveguide optics and display engines offer key advantages over other see-through wearable displays and traditional optics that occlude the wearer's view, including:

- Higher contrast and brightness, making them ideal for outdoor and enterprise use.
- Greater power efficiency, extending battery life for all-day operation.
- Lightweight and compact design, enhancing comfort and usability.
- Seamless prescription lens integration, allowing our Smart Glasses to maintain the look and feel of conventional eyewear.
- Advanced eye-glow reduction technology, minimizing unwanted forward light leakage—a major concern in the industry.

Beyond developing and selling our own Vuzix-branded Smart Glasses, we are expanding our business model to provide custom optical display solutions and engineering services for ODMs and OEMs. These customers can leverage our waveguide technology to develop fully integrated AR-enabled wearable displays for commercial, industrial, defense, and consumer applications.

Our in-house waveguide manufacturing capabilities can provide a turnkey production platform for companies looking to integrate AR technology into their branded products. This ODM/OEM strategy positions Vuzix as a leading supplier of next-generation AR optics, supporting major technology firms, defense contractors, and consumer electronics brands. Through this strategy, we offer:

- High-volume, cost-effective waveguide production for ODM/OEM customers.
- Customizable display engine and waveguide solutions tailored to unique partner requirements.

- White-labeled AI/AR Smart Glasses reference designs that ODMs and OEMs can brand and commercialize.

- Our proprietary waveguide manufacturing processes ensure scalability and cost efficiency, allowing us to produce high-performance optics at market-competitive prices.

Vuzix has built a strong intellectual property portfolio spanning over 25 years of experience in wearable display technology. This includes patents covering waveguide optics and nano-imprinting techniques, custom micro-display engine designs, and advanced AR computing interfaces, and ergonomic wearable form factors.

We believe our proprietary technology and manufacturing expertise creates a strong competitive advantage, ensuring continued leadership in high-performance AR display solutions.

We believe our compact display engine technologies and waveguide optics are key enablers of next-generation AI and AR-powered Smart Glasses. These technologies are advancing rapidly, allowing us to develop near-eye displays that closely resemble traditional eyeglasses while maintaining cutting-edge computing and interactive capabilities.

Our primary growth opportunities span the following markets and use cases:

- Enterprise – Hands-free data visualization, workflow optimization, and remote collaboration.

- Medical – Surgical assistance, telemedicine, and augmented patient care.

- Defense & Security – Situational awareness, training, and mission-critical AR applications.

- Consumer Electronics – AI-driven personal assistants, navigation, and real-time information overlays.

To support these markets, we continue to expand our software ecosystem, working with value-added resellers (VARs), system integrators, and application developers, including Moviynt, our internal software solutions development team. This broad network of partners and enterprise customers enhances our reach and accelerates market adoption of AR-powered Smart Glasses.

Our History

Historically, we have focused on three markets: the consumer markets for VR, entertainment, and mobile video; Smart Glasses products for enterprise; and rugged mobile displays for defense markets. We introduced our first HMD products for VR over 25 years ago and we have offered numerous product models and versions with ever-advancing features and capabilities that have served these three markets. As near-eye display technology has evolved, we transitioned towards enterprise-focused Smart Glasses, leveraging waveguide optics and available microdisplays to develop lightweight, hands-free computing solutions that function as wearable displays with the look and feel of fashion forward all-day wearable solutions.

Overall Strategy

Our goal is to establish and maintain a leadership position as a worldwide supplier of waveguides for AI/AR Smart Glasses and wearable displays for our own product needs and third-party ODMs and OEMs. We strive to be an innovator in designing wearable display devices and computers as well as waveguide optics that can enable hands-free enterprise productivity applications, see-what-I see remote viewing, and AI and AR applications. We seek to generate revenue and ultimately profitable growth through the continued introduction of market leading technologies, including AI/AR Smart Glasses, waveguides and display engines, software applications and solutions.

To broaden our position as a leading provider of wearable display products for AI/AR and hands-free computing, as well as waveguides and display engines for OEMs and ODMs, we seek to:

- develop innovative products based on our unique technology for both specialized and large enterprise and medical markets, as well as for defense and security;
- expand waveguide production and optimization by enhancing manufacturing efficiencies, reducing costs, and maintaining proprietary process protections to ensure competitive market positioning;
- establish mass production partnerships with leading ODMs/OEMs to accelerate the adoption of next-generation AI/AR Smart Glasses and wearable computing solutions;
- sell our waveguide products to ODMs and OEMs as a standard product or on a custom order basis to meet their design requirements;
- expand licensing and technology partnerships, allowing third-party companies to incorporate and white-label our smart glasses and optical technologies into their branded product lines;
- develop new microdisplay engine products utilizing third-party displays;
- extend our innovative and proprietary technology leadership;
- develop, promote and enhance the development of third-party software and our own that can take advantage of our products, including offering apps and software through our own "app store";
- enhance and protect our intellectual property portfolio;
- leverage third-party technology and marketing strategic relationships; and
- attract and retain highly qualified personnel.

We believe that the continued introduction of innovative products and components in our target markets is essential to our growth. Our products tend to have life cycles that span less than 5 years, necessitating ongoing investment in research, development, and next-generation product evolution. To support this innovation pipeline, we have built a highly skilled team of engineers, product designers, and optical specialists who work both in-house and collaboratively with external consultants, ODM/OEM partners, and technology developers.

Our primary development efforts are focused on:

- waveguide optics and scalable manufacturing processes to enhance brightness, clarity, and cost efficiency for high-volume production;
- projection and microdisplay engines;
- next-generation electronic designs that minimize power consumption, extend battery life, and enable lightweight, ergonomic wearable displays;
- embedded firmware and AI-powered software that enhances AR visualization, voice interaction, real-time translation, and contextual information overlays; and
- industrial design and user experience optimization, ensuring Vuzix smart glasses meet the needs of our users.

We expect to continue our research and development expenditure levels in the future and perhaps increase them as our revenues grow. In addition to in-house development, we actively evaluate, acquire, and license cutting-edge technologies that align with our strategic roadmap.

The Market

The mobile phone has evolved into a powerful, location-aware computing device, reshaping how people interact with their world. Mobile technology is now essential in work and daily life around the globe. The growth in mobile computing is creating a growing demand for more efficient hands-free solutions. We believe that interactive AR content, Edge Computing, and internet of things ("IoT") will further transform how digital content and intelligence is delivered and experienced through head worn displays, including the enabling of new experiences that cannot be experienced in any other way.

Current mobile display technology is almost universally based upon direct view screens. These displays are designed to be handheld and small to make portability easy. Our products provide hands-free virtual large screens that are interactive and fit into conventional eyeglass form factors. These AR-based displays can deliver a large-screen virtual experience, and they are designed to be "see-through" or "see-around" and allow the user to still see and interact with their surroundings. They may contain one (monocular) or two (binocular) displays.

Our business for the last several years has primarily focused on the enterprise, industrial, medical, and defense markets. As the market for AI and AR technology grows, we believe our near-eye display technologies will play a key role in enhancing user experiences and driving widespread adoption. We believe the demand for head-worn displays in these markets is being driven by the following:

- the continued growth of mobile computing devices;
- the exploding use of AI with its potential to change how most people live, work and play;
- the growing use of AR/AI applications that will drive the need for head-worn display solutions to replace the need to hold up handheld devices to use the applications; and
- the expansion of IoT that enables the exchange of information among smart connected devices to improve timeliness and visibility where real-time data improves productivity and decision-making.

As the market for AI and AR technology grows, we believe our near-eye display technologies and products will play a key role in enhancing user experiences and driving widespread adoption.

Target Markets

Vuzix develops AI and AR-powered Smart Glasses and optical components for enterprise, defense, medical, security, and consumer applications. Our wearable computing solutions, waveguides, and display engines also support ODM and OEM partnerships, expanding their adoption across industries. Our target markets are:

Enterprise

Vuzix Smart Glasses enhance efficiency and accuracy across industries such as manufacturing, logistics, and field service. Workers can access real-time data, including AI, follow guided instructions, and collaborate remotely without using handheld devices. By integrating with enterprise software and IoT systems, Smart Glasses streamline workflows, reduce errors, and improve safety while increasing productivity and lowering operational costs.

Medical

Healthcare professionals use Vuzix Smart Glasses for remote surgical collaboration, hands-free access to medical data, and enhanced telemedicine. Surgeons benefit from real-time expert support and training, while hospitals and senior care facilities use the technology for virtual patient monitoring and remote consultations. In orthopedic procedures, Smart Glasses assist with implant alignment, showcasing the growing role of AR in medicine.

Security & First Responders

Law enforcement, security teams, and emergency responders can use Vuzix Smart Glasses for facial recognition, real-time alerts, and AI-driven analytics. Officers and first responders can access critical data hands-free while staying fully engaged, improving decision-making and response times in high-risk scenarios.

Defense

Vuzix designs and supplies domestically manufactured waveguides and display engines for advanced military applications. Our lightweight, high-resolution, see-through AR technology supports situational awareness, training, and battlefield command systems. As new defense projects incorporating AR and wearable displays move from R&D to full-scale production, Vuzix expects growth in this sector.

Consumer

We feel that AI-enhanced AR Smart Glasses are poised to replace traditional handheld devices, offering hands-free access to language translation, navigation, health tracking, and notifications. As AI platforms like ChatGPT, Gemini, Grok, and Meta AI evolve, demand for sleek, prescription-ready smart eyewear is expected to grow. We believe that Vuzix is positioned to help drive this market through its ODM/OEM partnerships, enabling tech brands to introduce AI-driven Smart Glasses to consumers.

Products

We develop, manufacture, and sell AI/AR Smart Glasses and optical waveguides for enterprise, medical, defense, and consumer applications. Our Smart Glasses lineup includes both monocular and binocular models tailored to meet market-specific needs. Additionally, our waveguide optics and display engines support both Vuzix-branded products and external ODM/OEM customers.

M400 and M4000 Smart Glasses (M Series)

The M400 and M4000 are industrial-grade monocular Smart Glasses designed for enterprise, industrial, medical, and commercial use. The M400 features an occluded nHD OLED display, while the M4000 incorporates a see-through waveguide display for more immersive AR applications. These hands-free wearable products integrate an Android-based computing platform, voice control, high-resolution camera, audio, sensors, and wireless connectivity. Pre-installed apps enable video streaming, barcode scanning, and calendar integration, with optional subscription-based connectors for platforms like Zoom. These Smart Glasses can enhance workflows, provide AI-driven solutions, and unlock new opportunities across industries such as healthcare, logistics, retail, and remote support.

Vuzix Blade® Smart Glasses

The Blade 2 combines a monocular full color waveguide display with a lightweight eyeglasses-style form factor. It features stereo audio, an autofocus HD camera, voice control, wireless connectivity, and a modern processor for enhanced performance. The see-through waveguide display projects information like a heads-up display, making it useful for applications such as messaging, social media, navigation, work instructions, and biometrics. The Blade OS supports voice commands and cloud-based AI platforms, allowing users to access critical information hands-free while keeping their phones in their pockets.

Vuzix Shield™ Smart Glasses

The Shield is our first binocular AR Smart Glasses featuring microLED displays. Designed for enterprise applications, it offers more power and performance than the M400 series. The Shield combines Vuzix' proprietary waveguide optics with microLED stereo displays to deliver a fully transparent, high-resolution 3D heads-up display. Encased in lightweight, prescription-ready safety glasses, it also includes stereo HD cameras, making it a powerful hands-free AR tool for various industries.

Vuzix Z100 Smart Glasses

The Z100 Smart Glasses are a lightweight, enterprise-focused solution that pairs seamlessly via Bluetooth with Android and iOS devices. Designed for extended wear, the 38-gram glasses provide a transparent monochrome waveguide display powered by a custom microdisplay engine. With up to 48 hours of battery life, they deliver AI-driven information hands-free, streamlining workflows and enhancing productivity. The Z100 also serves as a scalable white-label platform for ODM/OEM partners and enterprise customization.

We feel our innovative Smart Glasses represent the forefront of AR and AI-powered wearables, providing hands-free computing solutions across multiple markets while paving the way for broader adoption of smart eyewear.

Mobilium® Logistics Mobility Software

In 2022, we acquired Moviynt®, a boutique-specialized software firm that is a US-based SAP Certified ERP platform software solution provider, to support Smart Glasses and hand-held mobile phones and scanners used in logistics, warehousing and manufacturing applications. Moviynt has developed a logistics mobility software platform, Mobilium®, which eliminates traditional middleware and is device agnostic. Moviynt's SAP studio product is highly configurable and allows customers to customize and optimize specific mobile workflows for a given use case. Moviynt's core technology and architecture consists of a certified SAP gateway module, iOS and Android client and mobile apps that run on a wide range of handhelds and wearables. This technology is unique in that it plugs directly into the customer's SAP environment and does not require any new hardware, middleware or intermediate servers to process warehouse and logistics-related transactions such as cycle counts and picks and transfers on the shop floor. Moviynt's technology is also being made compatible with other ERP systems. The Mobilium software solution can now work with Vuzix smart glasses, mobile phones, and industry standard smart barcode data collection terminals.

Applications for Smart Glasses

Dozens of standard applications that are optimized for use with the growing lineup of Vuzix AR Smart Glasses are included on the devices or available for download from the Vuzix App Store. Many of these applications are similar to what is available to the customer with modern smart phones. These standard applications are designed to be simple to get started and easy-to-use, and we believe can immediately provide some of the fundamental benefits of Smart Glasses to novice and expert users alike. We also have an app store on our website where users can download and purchase Smart Glasses applications, including third-party apps. We continue to foster the development of an ecosystem of third-party developers to offer applications and demo trials for their smart glasses apps, many of which will be sold on an industry common revenue share model, with the publisher receiving approximately 70% of the subscriptions collected.

Vuzix also resells a variety of other applications, including its internally developed "connector" applications, to enable third party applications like Zoom and others, which provide remote telepresence capabilities, otherwise known as "see-what-I-see" video collaboration and work instructions, amongst other features. These applications increase productivity and customer satisfaction by sharing information between field technicians and remote support experts. In some cases, these applications will be free to the user and in other cases we will charge monthly or annual subscription fees.

We feel that Vuzix Smart Glasses and waveguide technologies are leading innovations in AI-powered wearable computing. By leveraging advanced optics, compact form factors, and seamless enterprise integration, Vuzix is driving the adoption of AR solutions across enterprise, healthcare, defense, and consumer markets.

OEM Services and Products

Waveguide Optics and Display Engines

We offer waveguide optics and related coupling optics combined for use with compact display engines from third parties to form a see-through display module. Waveguides require a display engine built for the purpose of the intended design. Vuzix offers proprietary waveguide optics designed to integrate with compact third-party display engines, forming high-performance, see-through AR display modules. Our waveguide optical design reference kits, which include display projectors, waveguides, and supporting electronics, are provided to select ODMs and OEMs to facilitate evaluation, prototyping, and product development.

Our waveguide technology, combined with advanced micro-display projectors, is engineered to meet next-generation AR performance requirements, delivering:

- high-brightness, full-color micro-displays for clear visibility in any environment;
- compact, lightweight optics that enhance wearability for all-day use; and

- superior image clarity and resolution, optimizing user experience in AI/AR applications.

We believe our waveguides coupled with appropriate third-party display engine technologies address the critical performance parameters for next generation AR products to be brought to market. Our strategy for addressing the broader mass market includes developing partnerships with both select consumer electronic and software companies as well as with their ODMs or OEMs. As we manufacture our waveguides and capitalize on our waveguide manufacturing expertise in higher volumes, and at reduced per unit costs, we believe that our products will be increasingly well-positioned to compete with other see-through optics and displays, particularly as demand expands for sophisticated mobile computing devices offering higher resolution and better image quality for AI/AR and smart glasses applications. The best ways to capitalize on our waveguides is to have extremely efficient full color micro-displays or projectors capable of high brightness for use in any conditions.

Engineering Services

Vuzix provides engineering services and ODM/OEM component solutions to select partners seeking to integrate waveguide optics and wearable display technologies into their products. We focus on developing long-term ODM/OEM relationships, including supply contracts, rather than traditional "work-for-hire" contracts. To date, we have a developed a strong reputation for innovation, attracting interest from leading consumer and mobile electronics firms. We can offer our ODM/OEM customers comprehensive support, from prototype development to production, including technical consulting, engineering data, and application support. Our business strategy is to commercialize our waveguide technologies and products to permit select ODMs and OEMs to integrate and embed our technologies and products in a way that best matches their unique capabilities and timeline for bringing their products to market.

Defense and Security Products

Vuzix serves defense and security markets with its customized high-performance waveguide optics and display engine solutions tailored for mission-critical applications. Multiple defense contractors are integrating Vuzix waveguides and display engines into their head-mounted systems on a trial basis and purchasing our engineering services and prototype products. These are typically multi-year development projects. We expect several projects to soon transition from R&D to production, indicating long-term growth potential. And since Vuzix is a domestic manufacturer of optics and display engines and as most U.S. defense companies prefer domestically manufactured optics, Vuzix is an attractive strategic partner.

Technology

Investing in research and development is key to maintaining our competitive advantage. We aim to continuously enhance our products through internal development and partnerships with third-party suppliers. Our proprietary technologies, including advanced optics, micro-projection display engines, and specialized software, provide a strong market position. We also leverage trade secrets and nanoimprinting expertise to develop cutting-edge diffractive waveguide optics.

Major core technologies that we employ in our products include:

- *See-Through Waveguides*:

We hold numerous patents and pending applications for passive, dynamic, and diffractive optics-based waveguides, which enable compact, high-performance AR Smart Glasses. Our goal is to create AI/AR-based displays that resemble everyday sunglasses in comfort, size, and weight.

Recent advancements include Incognito technology, which minimizes forward light leakage and enhances optical performance in low-light environments. In addition, our waveguides now support integrated prescription vision correction, allowing users to incorporate their exact prescription seamlessly while maintaining a natural eyewear look. Our production process currently supports +2D to -8D diopters, with plans to expand further.

- *Nanoimprinting*:

We continue to refine nanoimprinting techniques to produce ultra-thin waveguides, as thin as 0.35 mm, essential for lightweight and fashionable Smart Glasses. Our expertise spans tool design, custom grating software, high-index polymers, precision lithography, and automated quality control, ensuring high-volume production with superior optical clarity.

- *Micro-Display Optics*:

Optical components are a major cost factor in wearable displays. We have developed thin, lightweight optics that integrate with ultra-compact micro-displays, reducing bulk while maintaining high-resolution AR visuals. These innovations allow our Smart Glasses to resemble traditional eyewear while delivering immersive digital experiences.

- *Custom Display Engines*:

We are advancing micro-display projection technology, developing high-brightness, full-color display engines optimized for waveguides. We collaborate with multiple industry partners to deliver both monochrome and full color micro-display solutions, ensuring power efficiency, clarity, and seamless integration into compact Smart Glasses.

Product Development

Continuous innovation and product expansion drive our growth, with product life cycles typically lasting less than five years. Our team of in-house engineers and external consultants focuses on:

- Waveguide optics and manufacturing;
- Projection engines and micro-displays;
- Low-power electronics and firmware; and
- Wearable computing software and UI/UX design.

We plan to increase R&D investments as revenues grow and will continue licensing and acquiring technologies to accelerate development. By combining cutting-edge optics, microdisplay technology, and advanced manufacturing, Vuzix remains at the forefront of AI/AR Smart Glasses innovation.

Patents and Other Intellectual Property

We have an intellectual property policy which has as its objectives: (i) the development of new intellectual property to further our position in personal display technology; and (ii) the maintenance and protection of our valuable trade secrets and know-how. We seek to achieve these objectives through the education and training of our engineering staff and the adoption of appropriate systems, policies and procedures for the creation, identification, and protection of intellectual property.

Our general practice is to file patent applications for our technology in the United States, Europe, Japan, and additional countries, including Canada and China, for inventions which we believe have the greatest potential. We file and prosecute our patent applications in pursuit of the most extensive fields of protection possible including, where appropriate, the application of the relevant technology to the broader display industry.

We believe that our intellectual property portfolio, coupled with our supplier relationships and accumulated experience in the near-eye display field, gives us an advantage over potential competitors. We also believe our copyrights, trademarks, and patents are critical to our success and we intend to maintain and protect these. We also rely on proprietary technology, trade secrets, and know-how, including manufacturing processes and procedures, which are not patented. To protect our rights in these areas, we require all employees and, where appropriate, contractors, consultants, advisors and collaborators, to enter into confidentiality, invention assignment, and non-competition agreements with us.

Our technologies enable us to provide lower cost, small form factor, high resolution wearable display products. To protect our technologies, we have developed a patent portfolio which currently consists of 246 issued U.S. and foreign patents and 180 pending U.S. and foreign patent applications. We are also currently evaluating several invention disclosures for the purposes of submitting design and utility patent applications. Our U.S. and foreign patents expire on various dates with the capacity to remain enforceable through at least June of 2043. In addition to our various patents, we have 8 registered U.S. trademarks and 82 trademark registrations worldwide.

Competitors

The near-eye wearable computer and mobile personal display device industry in which we operate is highly competitive and evolving rapidly. We compete against both direct view display technology in smart phones and tablets and other wearable display technology. We believe that the principal competitive factors in the personal display industry include image size, image quality, image resolution, power efficiency, manufacturing cost, weight and dimension, feature implementation, AI and AR capabilities, ergonomics, style, hands-free capabilities and, lastly, the interactive capabilities of the overall display system.

Competition – Binocular Wearable Display and VR Products

Vuzix AR Smart Glasses competitors include binocular wearable displays and virtual reality systems, using micro-displays or smaller flat panels. Examples of such companies include or have included Carl Zeiss, Seiko Epson (Epson), Sony Corporation, Microsoft Corporation, Apple, Avegant Corp., Meta (formerly Oculus/Facebook), HTC Corporation, Razer Inc., HP, Lenovo, Snap, Xreal, TLC, Huawei and many others. Some of these firms have discontinued their efforts while others continue to introduce new products that continue to be focused as either video viewers or VR goggles. Despite their size, VR headsets from companies like Meta and Sony have been selling in the millions of units, primarily for game applications. VR systems are either standalone devices or require a wire to be connected to a PC or game console to operate.

Competition – AR Glasses

In the AR or mixed reality (XR) markets, there are currently fewer competitors with much of this market currently aimed at the high-end user and research markets. Companies with products in this area include Microsoft Corporation, Sony Corporation, Epson, Lenovo, Magic Leap, Snap, Meta, Xreal, TLC, Rokid, and Apple. Today, many of these products have relatively bulky goggle style HMDs and are typically tethered to an external controller. Many of these goggles are using external view cameras to simulate an AR environment where the wearer can see the outside world and most are not currently using see-through waveguide optics.

Competition – Monocular Smart Glasses

The monocular smart glasses segment primarily serves enterprise, industrial, defense and security applications. Competitors include or have included: Google (formerly Google Glass), RealWear, Lumus, Kopin, Optinvent, Brother, Garmin, BAE Systems, and Rockwell Collins. We believe that the market opportunity for these products has been limited primarily to trial tests and smaller rollouts in enterprise markets rather than broad commercial volume purchases. Although we believe sales of these devices have seen limited large-scale adoption beyond pilot programs, demand is increasing in industries such as healthcare, logistics, security, and field services. Vuzix offers superior form factors, optics, and AI integrations, positioning its products as compelling alternatives.

Several Japanese electronics companies including Hitachi, Murata Manufacturing Co., Sony Corporation, WESTUNITIS, and Olympus have or had announced monocular smart glasses systems for industry and many have exited the business over the last three years. There are also several China-based companies that have been showing monocular smart glasses products, including Lenovo, but their sales activities thus far have been somewhat limited and focused primarily on Asia. We expect to encounter competition in the future from major consumer electronics companies and suppliers of imaging and information products for defense applications.

There is competition in all types of smart glasses products we manufacture, from both large and small companies. The principal points of competition for these products include price, product performance, the availability of supporting applications, and the experience and brand name of the particular company and history of its dealings in such products. We believe that our monocular products match or exceed the display products currently offered by our competitors.

Competition – Waveguides and Display Engines

The waveguide and display engine market is growing and evolving rapidly as more companies develop AI/AR-enabled smart glasses. Vuzix competes or has competed with such companies as Lumus, Snap's WaveOptics, Digilens, Dispelix, and multiple emerging Chinese manufacturers such as Goertek, Goolton, Crystal Optech, Optiark, and Xiaomi.

We believe our waveguides provide several competitive advantages including: (i) cost-effective, scalable volume manufacturing; (ii) higher brightness and display clarity with no forward glow (Incognito technology); (iii) thinner, lighter optics with wider field-of-view (FOV); (iv) better light efficiency and durability; and (v) our ability to quickly develop customizable designs for ODM and OEM customers.

Sales and Marketing

Sales

We sell our products and components globally through a mix of direct sales, value-added resellers (VARs), distributors, and select ODM and OEM partnerships. Our sales strategy varies based on the market segment and customer type.

In the Smart Glasses and AI/AR markets, our primary focus is on the enterprise sector, where we collaborate with software firms and resellers to support industry-specific applications. We maintain a VAR network across key verticals such as warehousing, field service, and healthcare, enabling these partners to provide tailored software and support solutions. Our subsidiary, Moviynt, provides software solutions to support Smart Glasses and handheld scanning devices in logistics. Additionally, our in-house sales team manages key enterprise accounts and distributors, and we sell direct via online stores and various Vuzix operated web stores in the U.S., Europe and Japan. For our Smart Glasses, we continue to foster an ecosystem with application developers from around the world. We also have our own hosted application store where our Smart Glasses customers can download and purchase applications and software developer kits.

We also sell our products internationally, mainly in Japan and Europe. In Japan, we have a branch sales and service office and a small warehouse. We had maintained through most of 2024 small European sales offices in Oxford, England and Munich, Germany, but have since closed these locations and instead use remote full-time sales consultants or employees within Europe. For warehousing, we have contracted with a third-party fulfillment center based in the Netherlands to service our customers in EMEA. We also currently serve other APAC customers through North American (West Coast) and Tokyo sales offices.

For customer support for the Americas and EMEA, we have contracted with a third-party end-user technical support firm that provides sixteen (16) hours of customer and technical support daily.

For our ODM and OEM customers, we primarily supply waveguides, display engines, and Smart Glasses platforms for integration into branded products. These ODM/OEM customer partnerships typically involve design cycles of 6 to 24 months, depending on product complexity. Given the technical nature of these components, our sales, technical, and executive teams work closely with customers throughout the evaluation and integration process.

To strengthen relationships and gain market insights, our teams regularly engage with customers worldwide and participate in key industry trade shows and conferences.

Marketing

Our marketing efforts focus on brand awareness, lead generation, and industry engagement. Our marketing and sales teams, along with external agencies, manage product positioning, advertising, PR, and marketing communications. We also employ marketing services firms to help prepare brochures, packaging, tradeshow messaging and advertising campaigns, focused on customers in our target markets. Most of our finished products today are currently sold under the Vuzix brand name. We currently undertake specific marketing activities as needed, including, but not limited to:

- product reviews, case studies and promotions in relevant trade publications;
- white papers, targeted emails and customer success stories;
- social media, website content, and targeted digital advertising;
- public relations and media outreach; and
- trade shows and industry conferences.

We use strategic marketing efforts to drive awareness and adoption of Vuzix Smart Glasses, waveguides, and white-label display solutions. Public relations and product videos remain a key part of our outreach, and we continue to provide product samples to key industry influencers.

Manufacturing

We manufacture our products using a combination of in-house production and third-party contract manufacturing services. We procure components from suppliers, contract manufacturers for electronic circuit board and cable assemblies, and perform final product assembly at our West Henrietta, New York facility. This facility enables efficient, cost-effective production, with the capability to manufacture thousands of units annually. We are experienced in the successful production of our products in moderate volumes. We believe that maintaining production in-house at our current volume levels provides better cost control, quality assurance, and operational flexibility compared to outsourcing to third parties.

Vuzix manufactures all its waveguide optics in a dedicated, state-of-the-art cleanroom facility adjacent to our headquarters in West Henrietta, New York. This facility can support high-volume production, at reduced manufacturing costs, and allows us to implement advanced waveguide processing techniques for next-generation designs. For the foreseeable future, all waveguide manufacturing will remain at this facility.

We evaluate contract manufacturers and component suppliers on an ongoing basis, including whether or not to utilize new or alternative contract manufacturers or component suppliers and will be working with our new investor and partner Quanta Computer to potentially provide such services, among others.

We currently source micro-displays from Sony Corporation, Jade Bird Display, and Texas Instruments and regularly and actively evaluate new suppliers of compact display engines to enhance AI/AR Smart Glasses performance. Our relationship with these micro-display suppliers is generally on a purchase order basis and none have a contractual obligation to provide adequate supply or acceptable pricing to us on a long-term basis, nor do we have any contractual obligation to purchase micro-displays from them. We generally procure our other non-micro-display components and products from our vendors on a purchase order basis without any long-term commitments. Many of the raw components used in our products are standard to the consumer electronics and computer industry. We provide forecasts that can allow our contract manufacturers to stock component parts and other materials and plan capacity. Our contract manufacturers procure raw materials in volumes consistent with our forecasts, manufacture and/or assemble the products and perform tests according to our specifications. In some cases, we procure specific components and either sell them or consign them to our contract manufacturers.

While we do not manufacture our raw components, other than waveguides, we do own the tooling that is used to make our custom components. Most of such tooling is located primarily in China. Some of our accessory products are sourced from third parties as finished goods. We typically have them print our Vuzix brand name on these products if they are co-branded. Such third-party products represented less than 3% of our sales in last three fiscal years.

Our manufacturing is not currently subject to seasonal variations, but in the future, depending upon our customers' product mix, we may be affected by seasonal fluctuations which could affect working capital demands.

Backlog

There is a relatively short cycle between order and shipment of our product sales. Most purchase orders we receive are subject to rescheduling or cancellation by the customer with no or limited penalties. With regard to sales of custom products and waveguides to our ODM/OEM customers, we believe that the backlog metric is currently of limited utility in predicting future sales because all these ODM/OEM customers operate on a ship-to-order basis. Therefore, we believe at this time that backlog information is not material to the understanding of our business.

Human Capital

As of December 31, 2024, the Company had 76 employees globally. A small percentage of the U.S. and non-U.S. employees are full-time or part-time contractors. The Company is committed to attracting, developing, and retaining talent to enable our strategic vision. This commitment directly shapes our approach to fostering a culture of inclusion and diversity and ensuring employees can reach their potential. We believe that our strong Company culture is a key enabler of our success. The values of accountability, integrity, teamwork, agility, and innovation are central to our culture and how we operate and work together. We take proactive steps to ensure that this culture continues to permeate throughout our organization. We consider our relations with our employees to be very good. In addition, we believe our compensation structure aligns with our stockholders' long-term interests and reflects the Company's commitment to pay for performance.

Available Information

We make available free of charge through our website, www.vuzix.com, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and our proxy statements and other reports that we file or furnish with the SEC as soon as reasonably practicable after they are filed or furnished, as well as certain of our corporate governance policies, including the charters for the Board of Directors' audit, compensation, and nominating committees and our code of ethics, corporate governance guidelines and whistleblower policy. We will also provide to any person without charge, upon request, a copy of any of the foregoing materials. Any such request must be made in writing to us, c/o Investor Relations, Vuzix Corporation, 25 Hendrix Road, West Henrietta, NY, 14586.

Information about Geographic Revenue

Information about geographic revenue is described in Note 17, "Geographic and Other Financial Information" in the notes to our consolidated financial statements.

History - Corporate

We were incorporated in Delaware in 1997 as VR Acquisition Corp. In 1997, we acquired substantially all of the assets of Forte Technologies, Inc. (Forte), which was engaged in the manufacture and sale of Virtual Reality headsets and the development of related technologies. Forte was originally owned and controlled by Kopin Corporation, one of our prior micro-display suppliers. Most of the technologies developed by Forte are now owned and used by us.

Reference in this report to “Vuzix”, the “Company”, “we,” “us,” “our” and similar words refer to Vuzix Corporation and its wholly-owned subsidiary.

Item 1A. ***Risk Factors***

An investment in our securities involves a high degree of risk. An investor should carefully consider the risks described below, together with all of the other information included in this annual report, before making an investment decision. Our business, financial condition or results of operations could suffer as a result of these risks. In that case, the market value of our securities could decline, and an investor may lose all or part of his or her investment.

Summary of Risk Factors:

- ***We have incurred net losses since our inception and may continue to incur losses.***

- ***We operate in a highly competitive market and the size, resources and brand name of some of our competitors may allow them to compete more effectively than we can, which could result in a loss of our market share and a decrease in our revenue and profitability.***

- ***We depend on advances in technology by other companies and if those advances do not materialize or are not accessible to us, some of our anticipated new products could be delayed or cancelled.***

- ***Our products could infringe on the intellectual property rights of others.***

- ***If we lose our rights under our third-party technology licenses, our operations could be adversely affected.***

General Business and Industry Risks

We have incurred net losses since our inception and may continue to incur losses.

We reported a net loss of $73,538,157 for the year ended December 31, 2024; $50,149,077 for the year ended December 31, 2023, and $40,763,573 for the year ended December 31, 2022. We have an accumulated deficit of $367,522,950 as of December 31, 2024.

We may not achieve or maintain profitability in the future. We will need to increase sales in order to achieve and maintain profitability. In addition, we expect that our expenses relating to product development and research, sales and marketing, as well as our general and administrative costs, may increase as our business grows. If we do not achieve and maintain profitability, our financial condition will ultimately be materially and adversely affected, and we would eventually be required to raise additional capital. We may not be able to raise any necessary capital on commercially reasonable terms or at all. If we fail to achieve or maintain profitability, the market price of our common stock may decline.

We operate in a highly competitive and complex market and believe our future success depends in part on our ability to effectively manage the growth and increased complexity of our business.

The following factors could present difficulties to us:

- Managing our ongoing research and development efforts associated with the development of new products based on emerging and innovative technologies;

- Managing product quality issues to minimize higher-than-expected warranty claims or returns that could harm our business and operating results;

- Managing our rights under our third-party technology licenses to avoid losing any competitive advantages in the market or the ability to commercialize certain products or technologies completely, which could substantially decrease our revenues;
- Managing our marketing initiatives effectively to generate sufficient levels of product and brand awareness;
- Managing our technical support, firmware or software updates on products to maintain customer satisfaction;
- Managing the need to replace and regularly introduce on a timely basis new products and technologies, enhance existing products, and effectively stimulate customer demand for new products and upgraded or enhanced versions of our existing products; and
- Managing the maintenance and further development of our sales channels for our products, including developing and supporting our value-added resellers (VARs), distributors and retail sales channels, many of which offer products from several different manufacturers and could give a higher priority to selling other companies' products.

The size, resources and brand name of some of our competitors may allow them to compete more effectively than we can, which could result in a loss of our market share and a decrease in our revenue and profitability.

The market for head-worn display devices, including AR and AI Smart Glasses, is highly competitive. Further, we expect competition to intensify in the future as existing competitors introduce new and more competitive offerings alongside their existing products, and as new market entrants introduce new products into our markets. To date, the market for smart glasses is in its early stages, with no single company achieving a dominant or leading position. We compete against established, well-known diversified consumer electronics manufacturers including Samsung Electronics Co., Sony Corporation, Meta, LG Electronics (LGE), HTC, and Lenovo, and many of our current competitors have substantial market share, longer operating histories, larger intellectual property portfolios, diversified product lines, ability to bundle competitive offerings with our products and services, well-established supply and distribution systems, strong worldwide brand recognition and greater financial, marketing, research and development and other resources than we do.

Moreover, smartphones, tablets, and new wearable devices with ever-expanding video display screens, including foldable and expandable screens, and ever-increasing computing power have significantly improved the mobile personal computing experience. In the future, large consumer electronics manufacturers of those devices, such as Apple Inc., Samsung, LGE, Lenovo, Alphabet/Google, Snap, Garmin, Meta/Facebook, Microsoft and others may design or develop products similar to ours. In addition to competition or potential competition from large, established companies, new companies may emerge and offer competitive products. Further, our current and prospective competitors may consolidate with each other or acquire companies that will allow them to develop products that better compete with our products, which would intensify the competition that we face and may also disrupt or lead to termination of our distribution, technology and content partnerships. Increased competition may result in pricing pressures and reduced profit margins and may impede our ability to increase the sales of our products, any one of which could substantially harm our business and results of operations.

Our lack of long-term purchase orders and commitments from our customers may lead to a rapid decline in our sales.

All of our customers for our Vuzix branded products issue purchase orders solely at their own discretion, often shortly before the requested date of shipment. These customers are generally able to cancel orders (without penalty) or delay the delivery of products on relatively short notice. In addition, our current customers may decide not to purchase products from us for any reason. If those customers do not continue to purchase our products, our sales volume could decline rapidly with little or no warning.

We cannot currently rely on long-term purchase orders or commitments to protect us from the negative financial effects of a decline in demand for our products. We typically plan our production and inventory levels based on internal forecasts of customer demand, which are highly unpredictable and can fluctuate substantially. The uncertainty of product orders makes it difficult for us to forecast our sales and allocate our resources in a manner consistent with our actual sales. Moreover, our expense levels and the amounts we invest in capital equipment and new product development are based in part on our expectations of future sales and, if our expectations regarding future sales are inaccurate, we may be unable to reduce costs in a timely manner to adjust for sales shortfalls.

As a result of these and other factors, investors should not rely on our revenues and our operating results for any one quarter or year as being indicative of our future revenues or operating results.

We depend on advances in technology by other companies and if those advances do not materialize, some of our anticipated new products could be delayed or cancelled.

We rely on and will continue to rely on technologies (including micro-displays, mobile computing electronics and operating systems) that are developed and produced by other companies. The commercial success of certain of our planned future products will depend in part on advances in these and other technologies by other companies. We may, from time to time, contract with and support companies developing key technologies in order to accelerate the development of them for our specific uses. Such activities might not result in useful technologies or components for us.

If micro-display-based personal displays or near-eye displays do not gain greater acceptance in the market for head worn or mobile displays, our business strategy may fail.

The mobile display market is dominated by displays larger than one inch, most of which are currently based on direct view liquid crystal display (LCD) and organic light emitting display (OLED) technology. A number of large established global companies have made and continue to make substantial investments in, and are conducting research to improve characteristics of, handheld direct view LCDs and OLED displays. Advances in direct view LCD and OLED technology, microLED or other technologies, including foldable and stretchable displays may overcome current market limitations and permit them to remain or become more attractive technologies for personal viewing applications, which could limit the potential market for our near-eye display and computing technology and cause our business strategy to fail.

There are a number of competing providers of micro-display-based personal display technology, including smart glasses, and we may fail to capture a substantial portion of the personal wearable display market.

In addition to competing with direct view displays, we also compete with micro-display-based personal and wearable display technologies that have been developed by many other companies. Numerous other start-up companies have announced their intentions to offer smart glasses and AI/AR products. Most of our competitors have greater financial, marketing, distribution and technical resources than we do. Moreover, our competitors may succeed in developing new micro-display-based personal display technologies and near-eye display products that are more affordable or have more desirable features than our technology. If our products are unable to capture a reasonable portion of the smart wearable display market, our business strategy may fail.

Our products may experience declining unit prices and we may not be able to offset that decline with production cost decreases or higher unit sales.

In the markets in which we compete, prices of established consumer electronics displays, personal computers, and mobile products tend to decline significantly over time or as new enhanced versions are introduced, frequently every 12 to 24 months. In order to maintain adequate product profit margins over the long term, we believe that we will need to continuously develop product enhancements and new technologies that will either slow price declines of our products or reduce the cost of producing and delivering our products. While we anticipate many opportunities to reduce production costs over time, we may not be able to reduce our necessary component costs. We expect to attempt to offset the anticipated potential decrease in our average selling price by introducing new products, increasing our sales volumes or adjusting our product mix. If we fail to do so, our results of operations will be materially and adversely affected.

Our business depends in part on access to third-party platforms or technologies, and if the access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies change without notice to us, our business and operating results could be adversely affected.

With the growth of mobile devices, cloud services and AI, the number of supporting platforms has grown, and with it the complexity and increased need for us to have business or contractual relationships with the platform owners in order to produce products compatible with these platforms and enable access to and use of these platforms with our products. Our product strategy includes current and future products designed for use with third-party platforms or software, such as iPhone, Android phones, Google Assistant and Amazon Alexa. Our business in these categories relies on our access to the platforms of third parties, some of whom are our competitors. Platform owners who are competitors may limit or decline access to their platforms, and in any case have a competitive advantage in designing products for their own platforms and may produce products that work better, or are perceived to work better, than our products in connection with those platforms. We may not be successful in launching products for those platforms or software applications and/or we may not be successful in establishing strong relationships with the new platform or software owners, which could negatively impact our ability to develop and produce high-quality products on a timely basis for those platforms and software applications. If we are unable to access third-party platforms or technologies, or if our access is withdrawn, denied, or is not available on terms acceptable to us, or if the platforms or technologies are delayed or change without notice to us, our business and operating results could be adversely affected.

Our access to third-party platforms may also require paying a royalty or licensing fee, which lowers our product margins or may otherwise be on terms that are not acceptable to us. In addition, the third-party platforms or technologies used to interact with our product portfolio can be delayed in production or can change without prior notice to us, which can result in our having excess inventory, lower margins, or customer support issues.

Our use of open-source software could negatively affect our ability to sell our products and could subject us to possible litigation.

We incorporate open-source software into our products. Open-source software is generally licensed by its authors or other third parties under open-source licenses. Some of these licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open-source software, and that we license such modifications or derivative works under the terms of a particular open-source license or other license granting third parties certain rights of further use. Additionally, if a third-party software provider has incorporated open-source software into software that we license from such provider, we could be required to disclose any of our source code that incorporates or is a modification of our licensed software. If an author or other third-party who distributes open source software that we use or license were to allege that we had not complied with the conditions of the applicable license, we could be required to incur significant legal expenses defending against those allegations and could be subject to significant damages, enjoined from offering or selling our products that contained the open source software, and be required to comply with the foregoing conditions. Any of the foregoing could disrupt and harm our business and financial condition.

Our operating results may be adversely impacted by worldwide political, economic, public health uncertainties, wars and specific conditions in the markets we address.

Any worsening of global economic, financial, or public health conditions, including global pandemics, such as COVID-19, could materially adversely affect (i) demand for our current and future products; (ii) our ability to raise, or the terms of, needed capital; and (iii) the supply of components for our products. We cannot predict the timing, strength, or duration of any economic slowdown or subsequent economic recovery, or such impact on the display industry.

Due to our significant level of international operations, including the use of foreign suppliers and contract manufactures, we are subject to international operational, financial, legal, political and public health risks which could harm our operating results.

We purchase product components from our suppliers and engage third-party contract manufacturing firms to perform electronic circuit board and cable assemblies. We assemble our finished products in our plant in West Henrietta, New York. Additionally, we use our West Henrietta, New York facility for the production of waveguides and their related display engines and intend to do so for some time. In the future, our mature products could have their final assembly performed outside the United States, including at facilities owned by our new strategic partner Quanta Computer. Accordingly, a substantial part of our operations, including manufacturing of certain components used in our products, could be outside of the United States and many of our customers and suppliers have some or all of their operations in countries other than the United States. Risks associated with our doing business outside of the United States include:

- compliance burdens and costs with a wide variety of foreign laws and regulations, particularly labor, environmental and other laws and regulations that govern our operations in those countries;
- legal uncertainties regarding foreign taxes, tariffs, border taxes, quotas, export controls, export licenses, import controls and other trade barriers;
- economic instability and high levels of inflation in the countries of our suppliers and customers, particularly in the Asia-Pacific region, causing delays or reductions in orders for their products and therefore our sales;
- political or public health instability, including global pandemics, such as COVID-19, in the countries in which our suppliers operate;
- changes or volatility in currency exchange rates; and
- difficulties in collecting accounts receivable and longer accounts receivable payment cycles.

Any of these factors could harm our own, our suppliers' and our customers' international operations and businesses and impair our and/or their ability to continue expanding into international markets.

Cybersecurity risks could adversely affect our business and disrupt our operations.

The threats to network and data security are increasingly diverse and sophisticated. Despite our efforts and processes to prevent breaches, our devices, as well as our servers, computer systems, and those of third parties that we use in our operations are vulnerable to cybersecurity risks, including cyber-attacks such as viruses and worms, phishing attacks, denial-of-service attacks, physical or electronic break-ins, employee theft or misuse, and similar disruptions from unauthorized tampering with our servers and computer systems or those of third parties that we use in our operations, which could lead to interruptions, delays, loss of critical data, unauthorized access to user data, and loss of our customer and consumer confidence. In addition, we may be the target of email scams that attempt to acquire personal information or Company assets. Despite our efforts to create security barriers to such threats, we may not be able to entirely mitigate these risks. Any cyber-attack that attempts to obtain our or our users' data and assets, disrupt our service, or otherwise access our systems, or those of third parties we use, if successful, could adversely affect our business, operating results, and financial condition, be expensive to remedy, and damage our reputation. In addition, any such breaches may result in negative publicity, adversely affect our brand, decrease demand for our products and services, and adversely affect our operating results and financial condition.

Our business and financial performance may be adversely affected by cyber-attacks on information technology infrastructure and products, as well as changes in cybersecurity and if our information technology security systems were infiltrated and confidential and/or proprietary information were taken, we could be subject to fines, lawsuits and loss of customers.

Significantly larger organizations with much greater resources than us have been the victim of cybercrimes. We routinely receive emails probing our Internet security, and our Internet security systems have detected outside organizations attempting to install Trojan virus software packages in our systems. We rely on our electronic information systems to perform routine transactions to run our business. We transact business over the Internet with customers, vendors and our subsidiaries and have implemented security measures to protect against unauthorized access to this information. We have also implemented security policies that limit access via the Internet from the Company to the outside world based on the individual's position in the Company. We routinely receive security patches from software providers for the software we use. Our primary concerns are inappropriate access to personnel information, any information covered under the International Traffic in Arms Regulation, product designs and manufacturing information, financial information and our intellectual property, trade secrets and know-how. Our business may be impacted by disruptions to our own or third-party information technology (IT) infrastructure, which could result from, among other causes, cyberattacks on or failures of such infrastructure or compromises to its physical security.

Cybersecurity threats are continuously evolving and include, but are not limited to, both attacks on our IT infrastructure and attacks on the IT infrastructure of our customers, suppliers, subcontractors and other third parties with whom we do business routinely, both on premises and in the cloud, attempting to gain unauthorized access to our confidential, proprietary, or otherwise protected information, classified information, or information relating to our employees, customers and other third parties, or to disrupt our systems or the systems of third parties. We are also exposed to the risk of insider threat attacks. Any such attacks could disrupt our systems or those of third parties, impact business operations, result in the unauthorized release of confidential, proprietary, or otherwise protected information, and corrupt our data or that of third parties. The threats we face are continuous and evolving and vary in degree of severity and sophistication. These threats include advanced persistent threats from highly organized adversaries, including but not limited to cyber criminals, nation states and so-called hacktivists, particularly those adverse to the security interests of the U.S. and its allies, which target us and other defense contractors. These types of threats are related to the geopolitical environment and have, therefore, grown in number due to recent geopolitical conflicts. In addition, as a result of the rapid pace of technological change, we and our customers, suppliers, subcontractors and other third parties with whom we conduct business continue to rely on legacy systems and software, which can be more vulnerable to cyber threats and attacks. Moreover, we, like other companies, are seeing an unprecedented number of previously unknown vulnerabilities, for which there are no known mitigations, being revealed by new attacks. Further, the sophistication, availability and use of artificial intelligence by threat actors present an increased level of risk. Due to the evolving threat landscape, we have experienced and expect to continue to experience more frequent and increasingly advanced cyber-attacks. In addition, changes in domestic and international cybersecurity-related laws and regulations have expanded cybersecurity-related compliance requirements, and cybersecurity regulatory enforcement activity has grown. We expect the regulatory environment to continue to evolve, and staying apace with these regulatory changes could increase our operational and compliance expenditures and those of our suppliers, and lead to new or additional IT and product development expenses. We also face reputational, litigation and financial risks in relation to potential required disclosures and increased risk of enforcement. We continue to make investments and adopt measures designed to enhance our protection, detection, response, and recovery capabilities, and to mitigate potential risks to our technology, products, services and operations from potential cybersecurity threats, as well as to comply with evolving regulations. However, given the unpredictability, nature and scope of cyber-attacks, it is possible that we are unable to defend against all cyber-attacks, that potential vulnerabilities could go undetected and persist in the environment for an extended period, or that we may otherwise be unable to mitigate customer losses and other potential consequences of these attacks. In some cases, we must rely on the safeguards put in place by our customers, suppliers, subcontractors and other third parties to protect against and report cyber threats and attacks. We could potentially be subject to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromise of confidential information, intellectual property or otherwise protected information, misappropriation, destruction or corruption of data, security breaches, other manipulation or improper use of our or third-party systems, networks or products, financial losses from remedial actions, loss of business, or potential liability, penalties, fines and/or damage to our reputation. Any of these could have a material adverse effect on our competitive position, results of operations, financial condition or liquidity. Due to the evolving nature of such risks, the impact of any potential incident cannot be predicted.

We may lose the services of key management personnel and may not be able to attract and retain other necessary personnel.

Changes in our management could have an adverse effect on our business and, in particular, while our staff is relatively small with just under 70 employees and full-time foreign contractors globally, we are dependent upon the active participation of several key management personnel, including Paul Travers, our President and Chief Executive

Officer. Mr. Travers is critical to the strategic direction and overall management of our Company as well as our research and development process. The loss of Mr. Travers could adversely affect our business, financial condition, and operating results. We do not carry key person life insurance on any of our senior management or other key personnel. Our Executive Vice President and Chief Financial Officer, Grant Russell, a Canadian citizen, currently has his principal residence in Vancouver, Canada and a second residence in West Henrietta, New York. If he becomes unable to travel to and work in the United States, his ability to perform some of his duties could be materially adversely affected.

We need to hire and retain highly skilled technical personnel as employees and independent contractors in order to develop our products and grow our business. The competition for highly skilled technical, managerial, and other personnel is at times intense. Our human capital and labor issues related to recruiting and retention success is substantially dependent upon our ability to offer competitive salaries and benefits to our employees. We must compete with companies that possess greater financial and other resources than we do and that may be more attractive to potential employees and contractors. To be competitive, we may have to increase the compensation, bonuses, stock options, stock awards, and other fringe benefits we offer to employees in order to attract and retain such personnel. The costs of retaining or attracting new personnel may have a material adverse effect on our business and operating results. If we fail to attract and retain the technical and managerial personnel required to be successful, our business, operating results and financial condition could be materially adversely affected.

Operational Risks

The manufacture of waveguides encompasses several complex processes, and several steps of our production processes are dependent upon certain critical machines and tools which could result in delivery interruptions, which could adversely affect our operating results.

Our product technology and manufacturing processes are evolving which can result in production challenges and difficulties. We may be unable to produce our products in sufficient quantity and quality to maintain existing customers and attract new customers. In addition, we may experience manufacturing problems which could result in delays in delivery of orders or product introductions. We currently do not have full equipment redundancy in our manufacturing facility. If we experience any significant disruption in the operation of our manufacturing facility or a serious failure of a critical piece of equipment, we may be unable to supply products to our customers in a timely manner. Interruptions in our manufacturing could be caused by equipment problems, the introduction of new equipment into the manufacturing process or delays in the delivery of new manufacturing equipment. Lead-time for delivery, installation, testing, repair and maintenance of manufacturing equipment can be extensive. We have experienced production interruptions in the past and no assurance can be given that we will not lose potential sales or be able to meet production orders due to future production interruptions in our manufacturing lines.

Our waveguide and display engine products are subject to lengthy OEM development periods.

We intend to sell some of our waveguides as components and in some cases, related display engines with micro-displays, to ODMs/OEMs with the objective that they then incorporate them into products they sell. To date, this business has not been a material contributor to our overall revenues, but it could become so in the future. These types of customers determine during their product development phase and when and whether they will incorporate our products into their solutions. The time elapsed between initial sampling of our products by ODMs/OEMs, the custom design of our products to meet specific product requirements, and the ultimate incorporation of our products into their ODM/OEM products can be significant, often with a duration of between six months to two years or even longer. If our products fail to meet our eventual customers’ cost, performance or technical requirements or if unexpected technical challenges arise in the integration of our products into their overall products, our operating results could be significantly and adversely affected. Long delays in achieving customer qualification and incorporation of our products also could adversely affect our business.

We depend on third parties to provide integrated circuit chip sets, micro-displays and other critical components for use in our products.

We do not manufacture the integrated circuit chip sets, microprocessors, wireless chips, optics, micro-displays, backlights, projection engines, printed circuit boards or other electronic components which are used in our products. Instead, we purchase them from third-party suppliers or rely on third-party independent contractors for these integrated circuit chip sets and other critical components, some of which are customized or custom made for us. We also may use third parties to assemble all or portions of our products. Some of these third-party contractors and suppliers are small companies with limited financial resources. In addition, any partial or full government-mandated shutdowns resulting from health epidemics like COVID-19 may cause supply chain disruptions. If any of these third-party contractors or suppliers were unable or unwilling to supply these or other critical components to us, we would be unable to manufacture and sell our products until a suitable replacement supplier could be found. We may be unable to find, if and when needed, a replacement third-party contractor or supplier on reasonable terms or in a timely manner. Any interruption in our ability to manufacture and distribute our products could cause our business to be unsuccessful.

Our dependence on sales to VARs, distributors, and other resellers increases the risks of managing our supply chain and may result in excess inventory or inventory shortages.

Many of our various reseller relationships for our Smart Glasses and AI/AR products and their accessories could involve such resellers taking inventory positions and reselling to multiple customers. Under some possible future distributor relationships, we would not recognize revenue until the distributors sell the product to their end user customers and receive payment thereon; however, at this time we do not currently enter into these types of arrangements. Our VAR and distributor relationships may reduce our ability to forecast sales and increase risks to our business. Since our distributors and VARs would act as intermediaries between us and the end user customers or resellers, we would be required to rely on our distributors to accurately report inventory levels and production forecasts. This may require us to manage a more complex supply chain and monitor the financial condition and credit worthiness of our distributors and VARs and their major end user customers. Our failure to manage one or more of these risks could result in excess inventory or shortages that could adversely impact our operating results and financial condition.

We rely on third-party suppliers, some of which are sole-source suppliers, to provide components for our products which may lead to supply shortages, long lead times for components, and supply changes, any one of which could disrupt our supply chain, may increase our costs, and may cause us to be unable to meet the demands of our customers and end-users on a timely basis.

Our ability to meet customer demand depends, in part, on our ability to obtain timely and adequate delivery of components for our products. All of the components that go into the manufacturing of our smart glasses products and accessories, other than waveguide optics, are sourced from third-party suppliers. The availability of certain of the components that we require to produce our AR Smart Glasses and other near-eye display products may decrease.

Some of the key components used to manufacture our products come from a limited or single source of supply, or by a supplier that could potentially become a competitor. Our contract manufacturers generally purchase these components on our behalf from approved suppliers. We are subject to the risk of shortages and long lead times in the supply of these components and the risk that our suppliers discontinue or modify components used in our products. In addition, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules. Further, the electronic components we utilize can go end-of-life due to technological changes, which can require us to invest in implementation costs of alternatives and the potential for the forced obsolescence of other related items. We have in the past experienced end-of-life issues and expect to see more shortages in the future. As such, the availability of these components may be unpredictable.

Our relationship with these source companies generally is on a purchase order basis and these firms do not have a contractual obligation to provide adequate supply or acceptable pricing to us on a long-term basis. These firms could discontinue sourcing components for us at any time. If any of these firms were to discontinue their relationship with us, or discontinue providing specific products to us, and we are unable to contract with a new supplier that can meet our requirements, or if they or such other supplier were to suffer a disruption in their production, we could experience disruption of our inventory flow, a decrease in sales and the possible need to re-design our products. Any such event could disrupt our operations and have an adverse effect on our business, financial condition and results of operations. Several new LCOS, alternative OLED, as well as microLED suppliers have begun offering micro-displays suitable for use in our products. With new tooling and electronics, any one of these alternative displays could be incorporated into our products but our costs of production could be higher, they may offer less performance, and, as a result, may make our products too costly and less desirable.

Our facilities and information systems and those of our key suppliers could be damaged as a result of disasters or unpredictable events, which could have an adverse effect on our business operations.

We operate the majority of our business from one campus location in West Henrietta, New York (a suburb of Rochester). We also rely on third-party manufacturing plants in the United States and Asia and third-party logistics, sales and marketing facilities in Japan and Europe, and in other parts of the world to provide key components for our products and services. If major disasters such as earthquakes, pandemics, fires, floods, wars, terrorist attacks, computer viruses, transportation disasters or other events occur in any of these locations, or our information systems or communications network or those of any of our key component suppliers breaks down or operates improperly as a result of such events, our facilities or those of our key suppliers may be seriously damaged, and we may have to stop or delay production and shipment of our products. We may also incur expenses relating to such damages. If production or shipment of our products or components is stopped or delayed or if we incur any increased expenses as a result of damage to our facilities, our business, operating results and financial condition could be materially adversely affected.

Financial and Market Risks

We have not paid dividends in the past and do not expect to pay dividends in the future on our common stock.

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition, and other business and economic factors affecting us at such time as our Board of Directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on a stockholders' investment will only occur if our stock price appreciates.

Our stock price may be volatile in the future.

The trading price of our common stock has been subject to wide fluctuations in response to quarter-to-quarter variations in results of operations, announcements of technological innovations or new products introduced by us or our competitors, general conditions in the wearable, wireless communications, consumer electronics, semiconductor and display markets, changes in our operating results estimates by financial analysts or other events or factors. In addition, the public stock markets recently have experienced high price and trading volatility. The risks related to rising inflation, rising interest rates and the imposition of tariffs could have a material impact on our revenues and costs. This volatility has significantly affected the market prices of securities of many technology companies for reasons frequently unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of our common stock.

There is uncertainty regarding the exclusive forum clause in our amended and restated bylaws.

Our amended and restated bylaws include a clause that provides that the Court of Chancery of the State of Delaware will be the exclusive forum for certain types of actions that may be brought against us. There is uncertainty as to whether we would seek to, or whether we could successfully, apply this exclusive forum provision to any actions that may be brought against us under the Securities Acts.

Additional stock offerings in the future may dilute then existing stockholders' percentage ownership of our Company.

Given our capital plans, needs and expectations, we may issue additional shares of common stock, preferred stock or securities convertible or exercisable for shares of common stock, including convertible preferred stock, convertible notes, stock options or warrants. The issuance of additional securities in the future will dilute the percentage ownership of the then existing stockholders.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our operating results could be adversely affected.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, inventories, product warranty reserves, accounting for income taxes, going concern, carrying value of long-term and other intangible assets, software development costs, variable interest entities, and stock-based compensation expense. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the price of our common stock.

Our results of operations may suffer if we are not able to successfully manage our increasing exposure to foreign exchange rate risks.

A majority of our sales and cost of components are denominated in U.S. dollars. As our business grows, both our sales and production costs may increasingly be denominated in other currencies. Where such sales or production costs are denominated in other currencies they are converted to U.S. dollars for the purpose of calculating any sales or costs to us. Our sales may decrease as a result of any appreciation of the U.S. dollar against these other currencies.

The majority of our current expenditures are incurred in U.S. dollars and many of our components come from countries that currently peg their currency against the U.S. dollar. If the pegged exchange rates change adversely or are allowed to float up, additional U.S. dollars will be required to fund our purchases of these components.

Although we do not currently enter into currency option contracts or engage in other hedging activities, we may do so in the future. There is no assurance that we will undertake any such hedging activities or that, if we do so, they will be successful in reducing the risks to us of our exposure to foreign currency fluctuations.

Legal and Regulatory Risks

Our business and products are subject to government regulation and we may incur additional compliance costs or, if we fail to comply with applicable regulations, may incur fines or be forced to suspend or cease operations.

In our current business and as we expand into new markets and product categories, we must comply with a wide variety of laws, regulations, standards and other requirements governing, among other things, electrical safety, wireless emissions, health and safety, e-commerce, consumer protection, export and import requirements, hazardous materials usage, product-related energy consumption, packaging, recycling and environmental matters. Compliance with these laws, regulations, standards and other requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction (including from country to country), further increasing the cost of compliance and conducting business activities. Our products may require regulatory approvals or satisfaction of other regulatory concerns in the various jurisdictions in which they are manufactured, sold or both. These requirements create procurement and design challenges that require us to incur additional costs identifying suppliers and manufacturers who can obtain and produce compliant materials, parts and products. Failure to comply with such requirements can subject us to liability, additional costs and reputational harm and, in extreme cases, force us to recall products or prevent us from selling our products in certain jurisdictions. If there is a new regulation, or change to an existing regulation, that significantly increases our costs of manufacturing or causes us to significantly alter the way that we manufacture our products, this would have a material adverse effect on our business, financial condition and results of operations. Additionally, while we have implemented policies and procedures designed to ensure compliance with applicable laws and regulations, there can be no assurance that our employees, contractors and agents will not violate such laws and regulations or our policies and procedures.

Our products must comply with certain requirements of the U.S. Federal Communications Commission (FCC) regulating electromagnetic radiation in order to be sold in the United States and with comparable requirements of the regulatory authorities of the EU, Japan, China and other jurisdictions in order to be sold in those jurisdictions. Our AI/AR smart glasses products include wireless radios and receivers which require additional emission testing. We are also subject to various environmental laws and governmental regulations related to toxic, volatile, and other hazardous chemicals used in the third-party components incorporated into our products, including the Restriction of Certain Hazardous Substances Directive, or RoHS and the EU Waste Electrical and Electronic Equipment Directive, or the WEEE Directive, as well as the implementing legislation of the EU member states, such Directive which restricts the distribution of products within the EU that exceed very low maximum concentration amounts of certain substances, including lead. Similar laws and regulations have been passed or are pending in China, Japan, and numerous countries around the world and may be enacted in other regions, including in the United States, and we are, or may in the future be, subject to these laws and regulations.

From time to time, our products are subject to new domestic and international requirements. Compliance with regulations enacted in the future could substantially increase our cost of doing business or otherwise have a material adverse effect on our results of operations and our business. Any inability by us to comply with regulations in the future could result in the imposition of fines or in the suspension or cessation of our operations or sales in the applicable jurisdictions. Any such inability by us to comply with regulations may also result in our not being permitted, or limit our ability, to ship our products which would adversely affect our revenue and ability to achieve or maintain profitability.

Although we have policies and procedures in place requiring our contract manufacturers and major component suppliers to comply with the supply chain transparency requirements, such as RoHS Directive, we cannot provide assurance that our manufacturers and suppliers consistently comply with these requirements. In addition, if there are changes to these or other laws (or their interpretation) or if new related laws are passed in other jurisdictions, we may be required to re-engineer our products to use components compatible with these regulations. This re-engineering and component substitution could result in additional costs to us or disrupt our operations or logistics.

The WEEE Directive requires electronic goods producers to be responsible for the collection, recycling and treatment of such products. Changes in interpretation of the Directive may cause us to incur costs or have additional regulatory requirements to meet in the future in order to comply with this Directive, or with any similar laws adopted in other jurisdictions. Our failure to comply with past, present and future similar laws could result in reduced sales of our products, substantial product inventory write-offs, reputational damage, penalties and other sanctions, which could harm our business and financial condition. We also expect that our products will be affected by new environmental laws and regulations on an ongoing basis. To date, our expenditures for environmental compliance have not had a material impact on our results of operations or cash flows and, although we cannot predict the future impact of such laws or regulations, they will likely result in additional costs and may increase penalties associated with violations or require us to change the content of our products or how they are manufactured, which could have a material adverse effect on our business and financial condition.

Regulations related to conflict minerals may cause us to incur additional expenses and could limit the supply and increase the costs of certain materials used in the manufacturing of our products.

As a public company, we are subject to requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, that require us to determine, disclose and report whether or not our products contain conflict minerals. These requirements could adversely affect the sourcing, availability and pricing of the materials used in the manufacture of components used in our products. In addition, we have and will continue to incur additional costs to comply with the disclosure requirements, including costs related to conducting diligence procedures to determine the sources of conflict minerals that may be used in, or necessary for the production of, our products and, if applicable, potential changes to products, processes or sources of supply as a consequence of such verification activities. We also may face reputational harm if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to alter our products, processes or sources of supply to avoid such materials.

We could be adversely affected by violations of anti-bribery laws in other jurisdictions in which we operate.

The global nature of our business and the significance of our international revenue create various domestic and local regulatory challenges and subject us to risks associated with our international operations. We operate in areas of the world that can experience corruption by government officials to some degree and, in certain circumstances, compliance with anti-bribery and anticorruption laws may conflict with local customs and practices. Our global operations require us to import and export to and from several countries, which geographically expands our compliance obligations. In addition, changes in such laws could result in increased regulatory requirements and compliance costs which could adversely affect our business, financial condition and results of operations.

As a U.S. company we may be held liable for the corrupt actions taken by directors, officers, employees, agents, or other strategic or local partners or representatives. If we or our intermediaries fail to comply with such requirements or similar legislation, governmental authorities in the United States and elsewhere could seek to impose substantial civil and/or criminal fines and penalties which could have a material adverse effect on our business, reputation, operating results and financial condition.

We are subject to governmental export and import controls and economic sanctions laws that could subject us to liability and impair our ability to compete in international markets.

The U.S. and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of some technologies. Our products are subject to U.S. export controls, including the Commerce Department's Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department's Office of Foreign Assets Controls, and exports of our products must be made in compliance with these laws. Furthermore, U.S. export control laws and economic sanctions prohibit the provision of products and services to countries, governments, and persons targeted by U.S. sanctions. Even though we take precautions to prevent our products from being provided to targets of U.S. sanctions, our products, including our firmware updates, could be provided to those targets or provided by our customers despite such precautions. Any such provision could have negative consequences, including government investigations, penalties and reputational harm. Our failure to obtain required import or export approval for our products could harm our international and domestic sales and adversely affect our revenue.

Changes in trade policy in the United States and other countries, including changes in trade agreements and the imposition of tariffs and the resulting consequences, may have adverse impacts on our business, results of operations and financial condition.

The new U.S. government administration is currently altering its approach to international trade policy, including through the potential termination, of certain existing bilateral or multilateral trade agreements and treaties and the imposition of tariffs on a wide range of products and other goods from China, Canada, Mexico, and other countries in Europe and Asia. Given our manufacturing in some of those countries, and our lack of manufacturing elsewhere, policy changes in the United States or other countries, such as the tariffs already proposed, implemented and threatened, present particular risks for us. There are also risks associated with retaliatory tariffs and resulting trade wars. We cannot predict future trade policy, the terms of any renegotiated trade agreements or treaties, or tariffs and their impact on our business. To the extent that trade tariffs and other restrictions imposed by the United States or other countries increase the price of, or limit the amount of, our products or components or materials used in our products imported into the United States or other countries, or create adverse tax consequences, the sales, cost or gross margin of our products may be adversely affected and the demand from our customers for products and services may be diminished.

We collect, store, process and use portions of our customers' personally identifiable information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, information security and data protection. Any cybersecurity breaches or our actual or perceived failure to comply with such legal obligations by us, or by our third-party service providers or partners, could harm our business.

While we take reasonable measures intended to protect the security, integrity and confidentiality of any personal information and other sensitive information we collect, store or transmit, we cannot guarantee that inadvertent or unauthorized use or disclosure will not occur, or that third parties will not gain unauthorized access to this information. While our privacy policies currently prohibit such activities, our third-party service providers or partners may engage in such activity without our knowledge or consent. If we or our third-party service providers were to experience a breach, disruption or failure of systems compromising our customers' data, or if one of our third-party service providers or partners were to access our customers' personal data without our authorization, our brand and reputation could be adversely affected, use of our products could decrease and we could be exposed to a risk of loss, litigation and regulatory proceedings.

Our products could infringe on the intellectual property rights of others.

Companies in the consumer electronics, wireless communications, semiconductor, IT and display industries steadfastly pursue and protect intellectual property rights, often times resulting in considerable and costly litigation to determine the validity of patents and claims by third parties of infringement of patents or other intellectual property rights. Our products could be found to infringe on the intellectual property rights of others. Other companies may hold or obtain patents or inventions or other proprietary rights in technology necessary for our business. Periodically, other companies inquire about our products and technology in their attempts to assess whether we violate their intellectual property rights. If we are forced to defend against infringement claims, we may face costly litigation, diversion of technical and management personnel, and product shipment delays, even if the allegations of infringement are unwarranted. If there is a successful claim of infringement against us and we are unable to develop non-infringing technology or license the infringed or similar technology on a timely basis, or if we are required to cease using one or more of our business or product names due to a successful trademark infringement claim against us, it could adversely affect our business.

Our intellectual property rights and proprietary rights may not adequately protect our products.

Our commercial success will depend substantially on our ability to obtain patents and other intellectual property rights and maintain adequate legal protection for our products in the United States and other countries. We will be able to protect our intellectual property from unauthorized use by third parties only to the extent that these assets are covered by valid and enforceable patents, trademarks, copyrights or other intellectual property rights, or are effectively maintained as trade secrets. As of the date of this filing, we have 246 issued U.S. and foreign patents and 180 pending U.S. and foreign patent applications. We apply for patents covering our products, services, technologies and designs, as we deem appropriate. We may fail to apply for patents on important products, services, technologies or designs in a timely fashion, or at all. We do not know whether any of our patent applications will result in the issuance of any patents. Even if patents are issued, they may not be sufficient to protect our products, services, technologies, or designs. Our existing and future patents may not be sufficiently broad to prevent others from developing competing products, services technologies, or designs. Intellectual property protection and patent rights outside of the United States are even less predictable. As a result, the validity and enforceability of patents cannot be predicted with certainty.

We rely in part on unpatented proprietary technology, and others may independently develop the same or similar technology or otherwise obtain access to our unpatented technology. We require employees, contractors, consultants, financial advisors, suppliers and strategic partners to enter into confidentiality and intellectual property assignment agreements (as appropriate), but these agreements may not provide sufficient protection for our trade secrets, know-how or other proprietary information.

Human Capital Resources

As of December 31, 2024, our consolidated business employed 76 individuals. A small percentage of the U.S. and non-U.S. employees are full-time or part-time contractors. None of our employees are covered by a collective bargaining agreement. Our management and professional employees have significant prior experience in optical design, mechanical design, software, electronics, manufacturing, and other related technologies. Our employees are in the U.S., Europe and Japan and the laws regarding employee relationships are different by jurisdiction. Some non-U.S. employees are full-time contractors. We have policies both in the workplace and in our hiring to prevent discrimination based on gender, race, ethnicity, nationality, religion, or sexual orientation. We also take affirmative action to employ and advance veterans in employment. We consider relations with our employees to be very good.

We have adopted a Code of Business Conduct and Ethics regarding the standards of conduct of our directors, officers and employees. The code is reviewed and updated periodically by our Board of Directors and is available on our website at www.vuzix.com.

Environmental, Social & Governance (ESG) Initiatives

We strive to create and maintain a working environment that fosters honesty and hard work and rewards all of our employees' hard work. We endeavor to make Vuzix a place in which people are proud to be associated. With the growing awareness of environmental and social issues, we are in the process of creating a more formalized ESG strategy. Our initial process for the strategy creation includes soon forming a cross-functional ESG team of leaders representing operations, human resources, supply chain, finance, marketing, and facilities departments. We will also utilize third-party facility, environmental and legal consulting services, as necessary. These third-party consultants will be assisting us in creating an ESG materiality assessment from which we can develop a baseline assessment for monitoring our progress. Our progress in creating our ESG strategy and other related activities is reported to the Board of Directors.

We provide recurring Company-wide communication of our formal values:

Integrity	Team	Customers
Uphold Ethical Standards in Our Performance	Treat Everyone with Respect	Quality Customer Service Through Collaborative Success
Keep Our Commitments	Encourage Open Communication	Provide Industry Leading Products
Protect Our Intellectual Property	Promote Critical Thinking and Innovation	Maintain Confidentiality and Protect any Customer Intellectual Property

For additional information, see "Item 1 – Business: Human Capital Resources" in this Form 10-K.

We strive to create a workplace based on the following principles and goals:

Care for Our People

● We believe in upholding the principles of human rights, worker safety, and observing fair labor practices within our organization.

● We respect different viewpoints and perspectives, and ultimately individual thoughts create innovation and achieve better results. We continually evaluate how we provide organizational training, formalize Company values, and revitalize recruitment strategy.

● We are committed to employee safety. We have installed safety protocols and monitoring systems. We have periodic audits by third parties to test our systems and perform preventative maintenance. Our policies prohibit an employee from being alone in our production facilities or in unsupervised areas of our facilities.

Environmental Responsibility

● We are committed to protecting the natural environment and our community by complying with all applicable legal and regulatory requirements. We are developing an environmental management system and a specific framework for implementing relevant sustainable practices.

● We ask our employees to help us contribute towards environmental sustainability by looking for opportunities to conserve energy, reduce consumption of natural resources, preserve air and water quality, manage waste properly, reuse and recycle, and reduce the use of toxic substances in our operations where possible, including, in particular, in our clean room and lab facilities. Our clean room facility emissions are less than permitting and reporting thresholds, and we track emissions monthly to verify compliance with the regulations.

● We look for ways to reduce energy consumption in our facilities.

● We make and sell products that are generally considered more environmentally friendly than alternative computing devices and in most of their actual use by customers reduce their travel needs, either locally or across the world with their remote presence capabilities, and consume significantly less power or raw materials to manufacture than are typically used or required for laptop or tablet computers.

Ethics & Corporate Responsibility

● We are committed to ensuring ethical organizational governance in the board room and throughout the organization.

● We are committed to observing fair, transparent, and accountable operating practices.

● We seek to create and foster a healthy, balanced, and ethical work environment for everyone in our organization. To this end, we promote an ethical organizational culture and encourage all employees to raise questions or concerns about actual or potential ethical issues and Company policies and to offer suggestions about how we can make our organization better. We have a Whistleblower Ethics Hotline that includes global telephone access and online access. We have an independent third party periodically test the Whistleblower Ethics Hotline.

Supply Chain Responsibility

● We intend to request that our suppliers adhere to the RBA Code of Conduct or its equivalent by flowing this requirement through our commercial contracts.

Item 1B. ***Unresolved Staff Comments***

None.

Item 1C. ***Cybersecurity***

As a Company selling some products and performing engineering services for defense applications, we may be the target of cyber-attacks from a variety of threat actors. Cybersecurity threats include attacks on, or other attempts to infiltrate, our information technology (IT) infrastructure and the IT infrastructure of our customers, suppliers, subcontractors and other third parties, attempting to gain unauthorized access to our confidential or other proprietary information, classified information, or information relating to our employees, customers, and other third parties, or to disrupt our systems or the systems of our customers, suppliers, subcontractors, and other third parties. Cybersecurity threats also include attempts to infiltrate our products or services, including attacks targeting the security, confidentiality, integrity and/or availability of the hardware, software and information installed, stored or transmitted in our products, including after the purchase of those products and when they are incorporated into third-party products, facilities, or infrastructure.

Our Cybersecurity Program

Our products and services are normally classified as EAR 99 (items not designated under the control) by the U.S. government, but our defense customers may ask us to make some alterations for the environments in which the products will be used. Moreover, our products sold for defense applications are integrated with our customers' products. Given the nature of our business and the cybersecurity risks we face, we have instituted a cybersecurity program for identifying, assessing, and managing cybersecurity risks, which include material risks from cybersecurity threats to our internal systems, our products, services and programs for customers, and our supply chain.

Our enterprise cybersecurity program aligns with the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF) standards, among others. The program includes processes and controls for the deployment of new IT systems by the Company and controls over new and existing system operations. We, or third parties we contract with, monitor and conduct regular testing of these controls and systems, including vulnerability management through active discovery and testing to regularly assess patching and configuration status. In addition, we require our employees to complete annual cybersecurity training, and we regularly conduct simulated phishing and cyber-related communications.

Incident Response.

Our cybersecurity program includes monitoring for potential security threats that may lead to vulnerabilities. We evaluate and assign severity levels to incidents, escalate and engage an incident response team based on severity, and manage and mitigate the related risks. Incidents are reported internally to members of senior management and/or the Board of Directors as appropriate based on severity and incident type and are also analyzed for external reporting requirements. Our incident response process is also designed to coordinate functions to enable continuity of essential business operation in the event of a cyber crisis.

Third Party Service Providers.

We engage third party service providers to expand the capabilities and capacity of our cybersecurity program, including for design, monitoring and testing of the program's risk prevention and protection measures, and process execution including incident detection, investigation, analysis and response, eradication, and recovery. Our main external service provider is US-based and utilizes a 24 x 7 x 365 Service Operation Center (SOC).

Program Assessment.

We regularly evaluate and seek to improve and mature our cybersecurity processes. Our cybersecurity program is regularly assessed through management self-evaluation and ongoing monitoring procedures to evaluate our program effectiveness, including assessments associated with internal controls over financial reporting as well as vulnerability management through active discovery and testing to validate patching and configuration. As cybersecurity threats are continuously evolving, we also periodically engage with third parties to perform maturity assessments of our program to identify potential risk areas and improvement opportunities. This includes assessment of our overall program, policies and processes, compliance with regulatory requirements and an overall assessment of key vulnerabilities. We use these assessments to supplement our own evaluation of the overall health of our program and target improvement areas.

Board Oversight and Management's Role

Our Board of Directors has primary oversight responsibility for enterprise cybersecurity risks. The Audit Committee also considers enterprise cybersecurity risks in connection with its financial and compliance risk oversight role. The Chief Financial Officer regularly reports to the Board of Directors on the status of the Company's cybersecurity program and provides the Board of Directors with the annual assessment by a third party on the Company's cybersecurity program.

Cybersecurity risks are also included with the Company's annual business risk assessment which is provided to the Board of Directors.

For more information on risks related to cybersecurity, see Item IA. "Risk Factors" of this Form 10-K.

Item 2. ***Properties***

We lease approximately 39,000 square feet as our main facility at 25 Hendrix Road, West Henrietta, New York, 14586 (a suburb of Rochester). This facility houses our headquarters office, R&D and manufacturing space under an operating lease for the facility that we began occupying in October 2015. In October 2022, we leased an additional 12,000 square feet for our new waveguide manufacturing facility at 30 Becker Road, also in West Henrietta, New York. The total base rent contractual payment obligations under these operating leases are currently $726,000 per year. The lease at 25 Hendrix Road has 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 January 16, 2024, the Company exercised its second renewal term extending its current lease to November 30, 2025. The lease at 30 Becker Road has an original three-year term with an option by the Company to renew for two additional one-year terms at pre-agreed to lease rates. We believe that our West Henrietta facilities are in good operating condition and currently adequately serve our needs and expect to negotiate new lease renewals by November 30, 2025.

In Okayama and Kyoto, Japan, we rent offices of 1,000 square feet and 100 square feet, respectively, of office space at a cost of approximately $29,000 per year. These leases are on a month-to-month basis.

Item 3. ***Legal Proceedings***

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

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Holders of Record

As of March 13, 2025, there were 89 holders of record of our common stock. A substantially greater number of holders of the Company's common stock are in "street name" or beneficial holders whose shares are held by banks, brokers and other financial institutions.

Issuer Purchases of Equity Securities

We did not purchase equity securities that are registered under Section 12 of the Exchange Act during the three months ended December 31, 2024.

Unregistered Sales of Equity Securities and Use of Proceeds

Sales of Unregistered Securities - none

Purchase of Equity Securities - none

Equity Compensation Plan Information

The following table provides information about our equity compensation plan as of December 31, 2024.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance (1)
Equity compensation plans approved by security holders	10,367,990	$ 12.41	1,031,737
Equity compensation plans not approved by security holders	—	—	—
Total	10,367,990	$ 12.41	1,031,737

(1) The amount appearing under “Number of securities remaining available for future issuance” includes shares available under the Company’s 2023 Equity Incentive Plan (the “2023 Plan”). The Company’s 2023 Plan was approved by the stockholders of the Company on June 15, 2023. The Company no longer issues any options under its prior 2014 Plan. The 2023 Plan no longer contains an “evergreen provision”.

Item 6. [Reserved]

Item 7. *Management’s Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our financial statements and related notes appearing elsewhere in this annual report. In addition to historical information, the following discussion and analysis includes forward looking statements that involve risks, uncertainties and assumptions. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those discussed in “Risk Factors” and elsewhere in this annual report. See the discussion under “Forward Looking Statements” beginning on page 1 of this annual report.

Overview

We are engaged in the design, manufacture, marketing and sale of augmented reality wearable display devices also referred to as head mounted displays (or HMDs, but also known as near-eye displays), in the form of Smart Glasses, AI powered Smart Glasses, Waveguides, and Augmented Reality (AR) technologies. Our wearable display devices are worn like eyeglasses or attach to a head worn mount. These devices typically include cameras, sensors, and a computer that enable the user to view, record and interact with video and digital content, such as computer data, the Internet, social media or entertainment applications. Our wearable display products integrate 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 AI/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 AI/AR and Smart Glasses products, waveguide optics, microLEDs and display engine technology.

Critical Accounting Policies and Significant Developments and Estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements and related notes appearing elsewhere in this annual report. The preparation of these statements in conformity with generally accepted accounting principles 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 consolidated financial statements, including those related to revenue recognition, bad debt, inventories, warranty reserves, product warranty, carrying value of long-lived assets, derivatives, valuation of stock compensation awards, and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not apparent from other sources. Since we cannot determine future events and their impact with certainty, the actual results may 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 a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

Our accounting policies are more fully described in the notes to our consolidated financial statements included in this annual report on Form 10-K. The critical accounting policies, judgments and estimates that we believe have the most significant effect on our financial statements are:

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

Valuation of Inventories

Inventory is stated at the lower of cost or net realizable value, with cost determined on a weighted average first-in, first-out method. Inventory includes purchased parts and components, work-in-process and finished goods. Provisions for excess, obsolete or slow-moving inventory are recorded after periodic evaluation of historical sales, current economic trends, forecasted sales, estimated product life cycles and estimated inventory levels. Purchasing practices, electronic component obsolescence, accuracy of sales and production forecasts, introduction of new products, product life cycles, product support and foreign regulations governing hazardous materials are factors that contribute to inventory valuation risks. Exposure to inventory valuation risks is managed by maintaining safety stocks, minimum purchase lots, managing product and end-of-life issues brought on by aging components or new product introductions, and by utilizing certain inventory minimization strategies such as vendor-managed inventories. The accounting estimate related to valuation of inventories is considered a "critical accounting estimate" because it is susceptible to changes from period-to-period due to the requirement for management to make estimates relative to each of the underlying factors, ranging from purchasing to sales, production, and after-sale support. If actual demand, market conditions or product life cycles differ from estimates, inventory adjustments to net realizable values would result in a reduction to the carrying value of inventory, an increase in inventory write-offs and a decrease to gross margins.

The write-off to our obsolescence provision for finished goods and components totaled $4,167,917, $4,358,062, and $290,405 for the years ended December 31, 2024, 2023, and 2022, respectively. These additional obsolescence provisions are included in Cost of Sales in the Consolidated Statements of Operations.

Going Concern

For all annual and interim periods, management will assess going concern uncertainty in our consolidated financial statements to determine whether there is sufficient cash on hand and working capital, including available borrowings on loans, to operate for a period of at least one year from the date the consolidated financial statements are issued or available to be issued, which is referred to as the "look-forward period", as defined in U.S. GAAP. As part of this assessment, based on conditions that are known and reasonably knowable to management, management will consider various scenarios, forecasts, projections, estimates and will make certain key assumptions. These assumptions include, among other factors, the expected timing and nature of our programs and projected cash expenditures, our ability to delay or curtail these expenditures or programs and our ability to raise additional capital, if necessary, to the extent management has the proper authority to execute them and considers it probable that those implementations can be achieved within the look-forward period.

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 year ended December 31, 2024 of $73,538,157; $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 $23,739,372 for the year ended December 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 December 31, 2024, the Company had an accumulated deficit of $367,522,950.

The ongoing losses and accumulated deficit 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 operational improvements being implemented and the curtailment of certain development programs, both of which the Company expects will preserve cash.

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.

Variable Interest Entities

We determine at the inception of each arrangement whether an entity in which we have made an investment or in which we have other variable interests is considered a variable interest entity (VIE). We consolidate VIEs when we are the primary beneficiary. We are the primary beneficiary of a VIE when we have 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 we are not the primary beneficiary in a VIE, we account for the investment or other variable interests in a VIE in accordance with other applicable GAAP. During each reporting period, we assess 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 we are the primary beneficiary.

Investments in Equity Investments

Investments in equity securities with a readily determinable fair value, not accounted for under the equity method, are recorded at that value with unrealized gains and losses included in earnings. For equity securities without a readily determinable fair value, the investment is recorded at cost, less any impairment, plus or minus adjustments related to observable transactions for the same or similar securities, with unrealized gains and losses included in earnings.

Carrying Value of Long-Lived Assets

If facts and circumstances indicate that a long-lived asset, including a products' mold tooling and equipment, may be impaired, the carrying value is reviewed in accordance with FASB ASC Topic 360-10 *Accounting for the Impairment or Disposal of Long-Lived Assets*. If this review indicates that the carrying value of the asset will not be recovered as determined based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of the asset is reduced to its estimated fair value. Impairment losses are dependent on a number of factors such as general economic trends and major technology advances, and thus could be significantly different from historical results. For the years ending December 31, 2024 and 2023, there were no indicators of impairment present. For the years ended December 31, 2024, 2023, and 2022, we recorded a loss on fixed asset disposal of $27,654, nil, and $35,350, respectively, upon the retirement of certain tooling and manufacturing equipment assets no longer in use.

We perform an evaluation of our patents and trademark assets when events or circumstances indicate their carrying amounts may be unrecoverable. For the years ended December 31, 2024, 2023, and 2022, there was an impairment charge of nil, $41,869, and $97,675, respectively. The carrying value of the remaining intellectual property, such as patents and trademarks, was valued (net of accumulated amortization) at $2,998,760 as of December 31, 2024, because management believes that this value is recoverable.

We perform an evaluation of our goodwill and other intangible assets for impairment at least annually, or more frequently if events or changes in circumstances indicate a potential impairment trigger. For the year ending December 31, 2024, the Company recorded an impairment charge of $30,301,355 for the unamortized technology license and equity investment in Atomistic. For the year ended December 31, 2023, the Company recorded an impairment charge of $2,136,993 for the unamortized intangible assets and goodwill regarding its previous acquisition of Moviynt.

Software Development Costs

The Company capitalizes the costs of obtaining and developing its software once technological feasibility has been determined by management or of purchased software solutions when placed into service. Such costs are accumulated and capitalized. These projects could take several years to complete. The capitalized costs are then amortized over three years on a straight-line basis. Unsuccessful or discontinued software projects are written off and expensed in the fiscal period where the application is abandoned or discontinued. The unamortized software development costs remaining were valued (net of accumulated amortization) at $194,445 as of December 31, 2024. Management believes that this value is recoverable.

Revenue Recognition

The Company adopted the guidance on Revenue from Contracts with Customers under FASB ASC Topic 606, *Revenue from Contracts with Customers*, as of January 1, 2018. Product sales represent the majority of the Company's revenue. The Company recognizes revenue from these product sales as performance obligations are satisfied and transfer of control to the customer has occurred, typically upon physical shipment. Revenue is recognized in the amount that the Company expects to receive in exchange from the sale of our products. FOB shipping point is our standard shipping term and revenue is recognized as our products ship to customers, as control is transferred at that time. All of our standard product sales include a 30-day money back guarantee and expected returns are estimated at each reporting period date and a portion of revenue is deferred for all estimated returns. As of December 31, 2024 and 2023, deferred revenue associated with our expected returns was immaterial. The Company collects and remits sales taxes in certain jurisdictions and reports revenue net of any associated sales taxes.

Revenue from engineering consulting and other services is recognized at the time the services are rendered. The Company accounts for its longer-term development contracts, which to date have all been firm fixed-priced contracts, on the percentage-of-completion method, whereby income is recognized as work on contracts progresses, but estimated losses on contracts in progress are charged to operations immediately. The percentage-of-completion is determined using the cost-to-cost method. To date, all such contracts have been less than one calendar year in duration.

Product Warranty

Warranty obligations are generally incurred in connection with the sale of our products. The warranty period for these products is generally one year and up to eighteen (18) months for certain distributors. Customers may also purchase an additional twelve (12) month extended warranty. Warranty costs are accrued, to the extent that they are not recoverable from third-party manufacturers, for the estimated cost to repair or replace products for the balance of the warranty periods. We provide for the costs of expected future warranty claims at the time of product shipment or over-builds to cover replacements. The adequacy of the provision is assessed at each quarter end and is based on historical experience of warranty claims and costs. The costs incurred to provide for these warranty obligations are estimated and recorded as an accrued liability at the time of sale. Future warranty costs are estimated based on historical performance rates and related costs to repair given products. The accounting estimate related to product warranty is considered a "critical accounting estimate" because judgment is exercised in determining future estimated warranty costs. Should actual performance rates or repair costs differ from estimates, revision to the estimated warranty liability would be required.

Stock-Based Compensation Expense

Our Board of Directors approves grants of stock awards and options to employees to purchase our common stock. Stock-based compensation expense is recorded based upon the estimated fair value of the stock option or stock award at the date of grant. The Company uses the Black-Scholes-Merton option pricing model to estimate the fair value of stock options granted pursuant to ASC Topic 718. The application of this pricing model involves assumptions that are judgmental and sensitive in the determination of compensation expense. The fair value of our common stock on the date of each option grant is determined based on the most recent quoted sales price on our primary trading stock exchange, currently the NASDAQ Capital Market. For stock options awards under the Company's LTIP (Long-term Incentive Plan), options vest upon the achievement of certain equity market conditions and performance-based milestones. The fair value of options granted under this program was calculated by using a Monte Carlo simulation for the equity market condition tranches and the Black-Scholes-Merton option pricing method for the performance-based tranches. The equity market condition awards are expensed over their derived service periods, which is an output of the Monte Carlo model. Upon the achievement of any market condition milestone, any unrecognized expense to date would be expensed immediately. The performance-based tranches, which are currently considered probable of achievement, are expensed over their respective implicit service periods. We may experience significant catch-up or reversal of expense in the future in a period when any performance-based milestones first are determined to be probable of achievement or when any that are currently deemed probable are considered no longer probable.

Income Taxes

We have historically incurred operating losses from both a financial reporting and tax return standpoint. We provide deferred income tax assets and liabilities based on the estimated future tax effects of differences between the financial and tax bases of assets and liabilities based upon currently enacted tax laws. Any future recorded value of our deferred tax assets will be dependent upon our ability to generate taxable income in the jurisdictions in which we operate. These assets consist primarily of credit carryforwards and net operating loss carryforwards and the future tax effects of temporary differences between balances recorded for financial statement purposes and for tax return purposes. A valuation allowance is established for deferred tax assets in amounts for which realization is not considered more likely than not to occur. The accounting estimate related to income taxes is considered a “critical accounting estimate” because judgment is exercised in estimating future taxable income, including prudent and feasible tax planning strategies, and in assessing the need for any valuation allowance. To date, we have determined a 100% valuation allowance is required and accordingly no deferred tax asset has been reflected in our consolidated financial statements. In the event that it should be determined that all or part of a deferred tax asset in the future is more likely than not to be realized, an adjustment (reduction) of the valuation allowance would increase income to be recognized in the period such determination was made.

In addition, the calculation of our deferred taxes involves dealing with uncertainties in the application of complex tax regulations. As a result, we recognize liabilities for uncertain tax positions based on the two-step process prescribed by GAAP. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We re-evaluate these uncertain tax positions on a quarterly basis based upon factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period. The Company currently has no uncertain tax positions.

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

Refer to Note 1

Results of Operations for Fiscal Years Ended December 31, 2024 and December 31, 2023

The following table compares the Company's consolidated statements of operations data for the years ended December 31, 2024 and 2023.

	Year Ended December 31,			
	2024	**2023**	**Dollar Change**	**% Increase (Decrease)**
Sales:				
Sales of Products	$ 4,487,202	$ 10,760,352	$ (6,273,150)	(58)%
Sales of Engineering Services	1,267,354	1,368,787	(101,433)	(7)%
Total Sales	5,754,556	12,129,139	(6,374,583)	(53)%
Cost of Sales:				
Cost of Sales - Products Sold	6,007,200	8,839,279	(2,832,079)	(32)%
Cost of Sales - Inventory Reserve for Obsolescence	4,167,917	4,358,062	(190,145)	(4)%
Cost of Sales - Depreciation and Amortization	734,456	886,117	(151,661)	(17)%
Cost of Sales - Engineering Services	444,653	680,411	(235,758)	(35)%
Total Cost of Sales	11,354,226	14,763,869	(3,409,643)	(23)%
Gross Profit (Loss)	(5,599,670)	(2,634,730)	(2,964,940)	113 %
Gross Profit (Loss) %	(97)%	(22)%		
Operating Expenses:				
Research and Development	9,626,452	12,339,534	(2,713,082)	(22)%
Selling and Marketing	8,191,427	12,711,800	(4,520,373)	(36)%
General and Administrative	17,230,293	18,592,185	(1,361,892)	(7)%
Depreciation and Amortization	2,994,643	3,844,428	(849,785)	(22)%
Loss on Goodwill and Other Intangible Asset Impairment	—	2,136,993	(2,136,993)	(100)%
Loss on Fixed Asset Disposal	27,654	—	27,654	NM
Impairment on Intangible Asset and Equity Investment	30,301,355	—	30,301,355	NM
Impairment of Patents and Trademarks	—	41,869	(41,869)	(100)%
Loss from Operations	(73,971,494)	(52,301,539)	(21,669,955)	41 %
Other Income (Expense):				
Investment Income	591,319	2,219,226	(1,627,907)	(73)%
Other Taxes	59,335	(230,973)	290,308	(126)%
Foreign Exchange Loss	(217,317)	(44,062)	(173,255)	393 %
Utility Improvement Refund/Employee Retention Credit Refund	—	208,271	(208,271)	(100)%
Total Other Income, Net	433,337	2,152,462	(1,719,125)	(80)%
Net Loss	$ (73,538,157)	$ (50,149,077)	$ (23,389,080)	47 %

Sales. There was a decrease in total sales for the year ended December 31, 2024, compared to 2023 of $6,374,583, or 53%. The following table reflects the major components of our sales:

	Year Ended December 31, 2024	% of Total Sales	Year Ended December 31, 2023	% of Total Sales	Dollar Change	% Increase (Decrease)
Sales of Products	$ 4,487,202	78 %	$ 10,760,352	89 %	$ (6,273,150)	(58)%
Sales of Engineering Services	1,267,354	22 %	1,368,787	11 %	(101,433)	(7)%
Total Sales	$ 5,754,556	100 %	$ 12,129,139	100 %	$ (6,374,583)	(53)%

Sales of products decreased by 58% for the year ended December 31, 2024, compared to 2023. Reduced smart glasses revenue was the primary driver of this decrease as unit sales of our M400 product decreased substantially compared to the previous year, when two major distributors placed significant stocking orders in the first half of 2023.

Sales of engineering services for the year ended December 31, 2024, was $1,267,354, as compared to $1,368,787 in 2023, a decrease of 7%.

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 the rendering of engineering services. The following table reflects the components of our cost of goods sold:

	Year Ended December 31, 2024	% of Total Sales	Year Ended December 31, 2023	% of Total Sales	Dollar Change	% Increase (Decrease)
Product Cost of Sales	$ 3,887,820	68 %	$ 7,224,107	60 %	$ (3,336,287)	(46)%
Inventory Reserve for Obsolescence	4,167,917	72 %	4,358,062	36 %	(190,145)	(4)%
Manufacturing Overhead - Unapplied	2,119,380	37 %	1,615,172	13 %	504,208	31 %
Depreciation and Amortization	734,456	13 %	886,117	7 %	(151,661)	(17)%
Engineering Services Cost of Sales	444,653	8 %	680,411	6 %	(235,758)	(35)%
Total Cost of Sales	11,354,226	197 %	14,763,869	122 %	(3,409,643)	(23)%
Gross Profit (Loss)	$ (5,599,670)	(97)%	$ (2,634,730)	(22)%	$ (2,964,940)	113 %

For the year ended December 31, 2024, there was a gross loss from total sales of $5,599,670, or 97% of total sales as compared to a gross loss of $2,634,730, or 22% in 2023.

In addition to its normal Reserve for Obsolescence provision, the Company reserved as of December 31, 2024 additional provisions for expected surplus component parts and obsolescence in excess of its currently planned existing product builds in 2025 and into 2026 on most of its existing smart glasses product models in anticipation of the planned introduction of newer models by 2026, which would logically replace the existing models when introduced. The disposal value of the excess components that could not be used in future models is unknown, so a 100% obsolescence provision has been accrued. During the year ended December 31, 2024, the Company wrote-off gross inventory of $4,167,917 and disposed of $1,998,893 of inventory that was fully provisioned for in the previous year. The total obsolescence provisions totaled $7,944,575 and $5,775,551 for the years ended December 31, 2024 and 2023, respectively. The changes to these provisions are included in Cost of Sales on the Consolidated Statements of Operations.

Unapplied manufacturing overhead costs, not already added in product cost of sales, increased by $504,208, or 31% for the year ended December 31, 2024 over 2023 and increased as a percentage of total sales to 37% as compared to 13% in 2023 due to lower quarterly product revenue. The increase in the net dollar amount of these unapplied overhead costs in the current period versus the prior period was primarily driven by a decrease in actual production levels during the period and the temporary cessation of M400 smart glasses production in the second half of 2024.

Depreciation and Amortization included in cost of sales decreased by $151,661, or 17% for the year ended December 31, 2024 versus 2023, due to the full amortization and depreciation of certain manufacturing assets.

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, purchases 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.

	Year Ended December 31, 2024	% of Total Sales	Year Ended December 31, 2023	% of Total Sales	Dollar Change	% Increase (Decrease)
Research and Development Expenses	$ 7,840,491	136 %	$ 10,611,176	87 %	$ (2,770,685)	(26)%
Related Stock-based Compensation (non-cash)	1,785,961	31 %	1,728,358	14 %	57,603	3 %
Total Research and Development Costs	$ 9,626,452	167 %	$ 12,339,534	102 %	$ (2,713,082)	(22)%

Research and development expenses for the year ended December 31, 2024, decreased by $2,713,082, or 22% compared to 2023. This decrease was largely due to a $1,565,823 decrease in salary and benefits related expenses due to headcount decreases; a $1,004,415 decrease in external development costs due to the suspension of work on a specific future smart glasses product; and a $81,450 decrease in supplies expenses; partially offset by a $57,603 increase in non-cash stock-based compensation primarily driven by the voluntary salary reduction program.

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

	Year Ended December 31, 2024	% of Total Sales	Year Ended December 31, 2023	% of Total Sales	Dollar Change	% Increase (Decrease)
Selling and Marketing Expenses	$ 6,953,169	121 %	$ 11,632,032	96 %	$ (4,678,863)	(40)%
Related Stock-based Compensation (non-cash)	1,238,258	22 %	1,079,768	9 %	158,490	15 %
Total Selling and Marketing	$ 8,191,427	142 %	$ 12,711,800	105 %	$ (4,520,373)	(36)%

Selling and marketing expenses for the year ended December 31, 2024, decreased by $4,520,373, or 36% compared to 2023. This decrease was largely due to a decrease of $1,618,667 in advertising and tradeshow expenses; a $1,587,781 decrease in salary and benefits related expenses driven by headcount decreases; a decrease of $605,000 in our allowance for credit losses; a decrease of $456,338 in travel related expenses; a $235,660 decrease in external consulting expenses; and a $133,906 decrease in computer and software subscription expenses; partially offset by a $158,490 increase in non-cash stock-based compensation primarily driven by the voluntary salary reduction program.

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

	Year Ended December 31, 2024	% of Total Sales	Year Ended December 31, 2023	% of Total Sales	Dollar Change	% Increase (Decrease)
General and Administrative Expenses	$ 8,933,952	155 %	$ 8,933,458	74 %	$ 494	0 %
Related Stock-based Compensation (non-cash)	8,296,341	144 %	9,658,727	80 %	(1,362,386)	(14)%
Total General and Administrative	$ 17,230,293	299 %	$ 18,592,185	153 %	$ (1,361,892)	(7)%

General and administrative expenses for the year ended December 31, 2024, decreased by $1,361,892, or 7% compared to 2023. This decrease was largely due to a $1,362,386 decrease in non-cash stock-based compensation; a decrease of $1,106,231 in salary and benefits related expenses due to headcount reductions; a decrease of $204,038 in external consulting expenses; a decrease of $201,672 in insurance premiums; a decrease of $47,838 in recruitment and hiring expenses; and a decrease of $72,870 in travel expenses; largely offset by an increase of $977,798 in investor relations expenses; an increase of $437,453 in legal expenses; and an increase of $350,453 in additional accounting and auditing fees related to the finalization of the 2023 audit.

Depreciation and Amortization. Depreciation and amortization expense, not included in cost of sales, for the year ended December 31, 2024, was $2,994,643, compared to $3,844,428 in 2023 or a decrease of $849,785. This decrease was due to a significant decrease in amortization expense related to our Atomistic technology license, which was written-off as of June 30, 2024; partially offset by increases in depreciation related to leasehold improvements being put into service this year related to our new waveguide manufacturing facility.

Impairment on Intangible Asset and Equity Investment. For the year ended December 31, 2024 there was a total impairment charge on an intangible and an equity investment of $30,301,355. On July 1, 2024, Atomistic exercised its option to terminate its previously granted license related to certain microLED technologies it was developing, and as a result of the termination of the granted license, which was effective June 30, 2024, the Company determined that the technology license asset of $24,335,554, net book value as of June 30, 2024, was impaired as the Company no longer has exclusive licensing rights to the technology. In addition, in connection with the Atomistic agreements, the Company recorded an additional impairment charge in the amount of $181,676 in August for the issuance of 174,688 shares of common stock at a fair market value of $1.04 per share to the Founders of Atomistic for the achievement of certain technological milestones. The Company had a related equity interest in Atomistic, a private French company, and determined that at this time, the Company is unable to reasonably estimate a value to its future value and therefore recorded a full impairment of its investment in Atomistic resulting in a write-down charge of $5,784,125 for the period ended June 30, 2024.

Other Income (Expense), Net. Total other income was $433,337 for the year ended December 31, 2024, compared to other income of $2,152,462 in 2023, a decrease of $1,719,125. The overall decrease in other income was primarily the result of a decrease of $1,627,907 in investment income due to lower excess cash on-hand to invest; an increase of $173,255 in foreign exchange losses; partially offset by a decrease in income and other taxes of $290,308; and a decrease of $208,271 from a one-time utility improvement refund in 2023.

Provision for Income Taxes. There were no provisions for income taxes in 2024 or 2023.

Results of Operations for Fiscal Years Ended December 31, 2023 and December 31, 2022

The following table compares the Company’s consolidated statements of operations data for the years ended December 31, 2023 and 2022.

	Year Ended December 31, 2023	2022	Dollar Change	% Increase (Decrease)
Sales:				
Sales of Products	$ 10,760,352	$ 10,505,763	$ 254,589	2 %
Sales of Engineering Services	1,368,787	1,330,119	38,668	3 %
Total Sales	12,129,139	11,835,882	293,257	2 %
Cost of Sales:				
Cost of Sales - Products Sold	8,839,279	8,737,852	101,427	1 %
Cost of Sales - Inventory Reserve for Obsolescence	4,358,062	290,405	4,067,657	1,401 %
Cost of Sales - Depreciation and Amortization	886,117	799,317	86,800	11 %
Cost of Sales - Engineering Services	680,411	525,182	155,229	30 %
Total Cost of Sales	14,763,869	10,352,756	4,411,113	43 %
Gross Profit (Loss)	(2,634,730)	1,483,126	(4,117,856)	(278)%
Gross Profit (Loss) %	(22)%	13 %		
Operating Expenses:				
Research and Development	12,339,534	12,676,688	(337,154)	(3)%
Selling and Marketing	12,711,800	8,078,538	4,633,262	57 %
General and Administrative	18,592,185	21,038,562	(2,446,377)	(12)%
Depreciation and Amortization	3,844,428	1,788,584	2,055,844	115 %
Loss on Goodwill and Other Intangible Asset Impairment	2,136,993	—	2,136,993	NM
Loss on Fixed Asset Disposal	—	35,350	(35,350)	(100)%
Impairment of Patents and Trademarks	41,869	97,675	(55,806)	(57)%
Loss from Operations	(52,301,539)	(42,232,271)	(10,069,268)	24 %
Other Income (Expense):				
Investment Income	2,219,226	1,395,579	823,647	59 %
Income and Other Taxes	(230,973)	(212,997)	(17,976)	8 %
Foreign Exchange Loss	(44,062)	(180,589)	136,527	(76)%
Utility Improvement Refund/Employee Retention Credit Refund	208,271	466,705	(258,434)	(55)%
Total Other Income, Net	2,152,462	1,468,698	683,764	47 %
Net Loss	$ (50,149,077)	$ (40,763,573)	$ (9,385,504)	23 %

Sales. There was an increase in total sales for the year ended December 31, 2023, from those achieved in 2022 of $293,257, or 2%. The following table reflects the major components of our sales:

	Year Ended December 31, 2023	% of Total Sales	Year Ended December 31, 2022	% of Total Sales	Dollar Change	% Increase (Decrease)
Sales of Products	$ 10,760,352	89 %	$ 10,505,763	89 %	$ 254,589	2 %
Sales of Engineering Services	1,368,787	11 %	1,330,119	11 %	38,668	3 %
Total Sales	$ 12,129,139	100 %	$ 11,835,882	100 %	$ 293,257	2 %

Sales of products increased by 2% for the year ended December 31, 2023, compared to the same period in 2022. Smart glasses revenue was the primary driver of this increase as unit sales of our M400 product increased.

Sales of engineering services for the year ended December 31, 2023, were $1,368,787, as compared to $1,330,119 in the same period of 2022, an increase of 3%.

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:

	Year Ended December 31, 2023	% of Total Sales	Year Ended December 31, 2022	% of Total Sales	Dollar Change	% Increase (Decrease)
Product Cost of Sales	$ 7,224,107	60 %	$ 7,158,225	60 %	$ 65,882	1 %
Inventory Reserve for Obsolescence	4,358,062	36 %	290,405	2 %	4,067,657	1,401 %
Manufacturing Overhead - Unapplied	1,615,172	13 %	1,579,627	13 %	35,545	2 %
Depreciation and Amortization	886,117	7 %	799,317	7 %	86,800	11 %
Engineering Services Cost of Sales	680,411	6 %	525,182	4 %	155,229	30 %
Total Cost of Sales	14,763,869	122 %	10,352,756	87 %	4,411,113	43 %
Gross Profit (Loss)	$ (2,634,730)	(22)%	$ 1,483,126	13 %	$ (4,117,856)	(278)%

For the year ended December 31, 2023, gross loss from total sales was $2,634,730, or (22)% of total sales as compared to a gross profit of $1,483,126, or 13% in the same period in 2022. Product Cost of Sales was $7,224,107, or 60% of total sales in 2023 as compared to $7,158,225, or 60% of 2022 total sales.

In addition to its normal Reserve for Obsolescence provision, the Company reserved as of December 31, 2023 additional provisions for expected surplus component parts and obsolescence in excess of its currently planned existing product builds in 2024 and into 2025 on most of its existing smart glass product models in anticipation of the planned introduction of newer models, which would logically replace the existing models when introduced. The disposal value of the excess components that could not be used in future models is unknown, so a 100% obsolescence provision has been accrued. The total reserve write-down recorded at December 31, 2023 was $2,700,000 and the Company increased its standard reserve by $1,658,000. The write-down and obsolescence provisions totaled $5,775,551 and $1,417,489 for the years ended December 31, 2023 and 2022, respectively. These provisions were included in Cost of Sales on the Consolidated Statements of Operations.

Manufacturing overhead costs, not already added in Cost of Sales or ending inventory, increased by $35,545, or 2% for the year ended December 31, 2023 over the 2022 comparable period to 13% as a percentage of total sales as compared to 13% in 2022.

Depreciation and amortization expense increased by $86,800, or 11% for the year ended December 31, 2023, over the 2022 comparable period to 7% as a percentage of total sales as compared to 7% in 2022. The increase was due to depreciation on capitalized equipment for our new waveguide facility that was placed into service in the fourth quarter of 2023.

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, purchases 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.

	Year Ended December 31, 2023	% of Total Sales	Year Ended December 31, 2022	% of Total Sales	Dollar Change	% Increase (Decrease)
Research and Development Expenses	$ 10,611,176	87 %	$ 10,841,011	92 %	$ (229,835)	(2)%
Related Stock-based Compensation (non-cash)	1,728,358	14 %	1,835,677	16 %	(107,319)	(6)%
Total Research and Development	$ 12,339,534	102 %	$ 12,676,688	107 %	$ (337,154)	(3)%

Research and development expenses for the year ended December 31, 2023, decreased by $337,154, or 3%, compared to the comparable period in 2022. This decrease was largely due to a $923,933 reduction in external development expenses and consultant expenses; and a decrease of $136,186 in recruiting and hiring expenses; partially offset by an increase of $789,186 in salary and benefits related expenses, including $422,051 in severance-related expenses for staff reductions which took place in early January 2024.

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

	Year Ended December 31, 2023	% of Total Sales	Year Ended December 31, 2022	% of Total Sales	Dollar Change	% Increase (Decrease)
Selling and Marketing Expenses	$ 11,632,032	96 %	$ 7,156,266	60 %	$ 4,475,766	63 %
Related Stock-based Compensation (non-cash)	1,079,768	9 %	922,272	8 %	157,496	17 %
Total Selling and Marketing	$ 12,711,800	105 %	$ 8,078,538	68 %	$ 4,633,262	57 %

Selling and marketing expenses for the year ended December 31, 2023, increased by $4,633,262 or 57%, compared to the comparable period in 2022. This increase was largely due to a $2,117,503 increase in salary, commissions and benefits related expenses driven by headcount increases, including $265,101 in severance related expenses for staff reductions which took place in early January 2024; a reserve for bad debt of $1,574,000; an increase of $610,845 in advertising and tradeshow expenses; an increase of $322,071 in travel related expenses; and an increase of $167,794 in consulting fees; partially offset by a decrease of $121,835 in website development and maintenance costs; and a decrease of $101,001 in recruiting and hiring expenses for new hires in the latter part of 2022.

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

	Year Ended December 31, 2023	% of Total Sales	Year Ended December 31, 2022	% of Total Sales	Dollar Change	% Increase (Decrease)
General and Administrative Expenses	$ 8,933,458	74 %	$ 8,502,412	72 %	$ 431,046	5 %
Related Stock-based Compensation (non-cash)	9,658,727	80 %	12,536,150	106 %	(2,877,423)	(23)%
Total General and Administrative	$ 18,592,185	153 %	$ 21,038,562	178 %	$ (2,446,377)	(12)%

General and administrative expenses for the year ended December 31, 2023 decreased by $2,446,377, or 12% compared to the comparable period in 2022. This decrease was largely due to a decrease of $2,877,423 in non-cash stock-based compensation; a decrease of $210,678 in external accounting, advisory and tax services expenses; a decrease of $199,456 in shareholder and IR related expenses; a $91,254 decrease in supplies and consumables expenses; and a $56,807 decrease in recruiting and hiring expenses; partially offset by an increase of $281,363 in various consulting fees; an increase of $128,949 in travel related expenses; and an increase of $88,804 in insurance premiums.

Depreciation and Amortization. Depreciation and amortization expense, not included in cost of sales, for the year ended December 31, 2023, was $3,844,428, compared to $1,788,584 in the comparable period in 2022, an increase of $2,055,844. The increase in this expense is primarily due to the amortization of our technology license related to the Atomistic Agreements, which began on May 12, 2022.

Other Income (Expense), Net. Total other income was $2,152,462 for the year ended December 31, 2023, as compared to $1,468,698 in the same period in 2022, an increase of $683,764. This overall increase was primarily the result of an increase of $823,647 in investment income resulting from the rise in interest rates earned on the Company's excess cash period-over-period; and decrease of $136,527 in foreign exchange losses; partially offset by a $258,434 reduction in government and utility incentives, primarily related to the employee retention refunds received in 2022.

Provision for Income Taxes. There were no provisions for income taxes in 2023 or 2022.

Liquidity and Capital Resources

Capital Resources: As of December 31, 2024, we had cash and cash equivalents of $18,186,506, a decrease of $8,369,086 from $26,555,592 as of December 31, 2023.

As of December 31, 2024, we had current assets of $26,722,490 as compared to current liabilities of $2,112,273, which resulted in a positive working capital position of $24,610,217. 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, and operating lease right-of-use liabilities.

Summary of Cash Flow:

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

	December 31, 2024	December 31, 2023	December 31, 2022
Net Cash Provided by (used in)			
Operating Activities	(23,739,372)	(26,277,824)	(24,521,082)
Investing Activities	(2,919,949)	(19,280,966)	(21,170,816)
Financing Activities	18,290,235	(449,561)	(1,948,032)

During the year ended December 31, 2024 we used $23,739,372 of cash for operating activities. Net changes in working capital items were $1,171,047 for the year ended December 31, 2024, with the largest factors resulting from a $2,503,100 decrease in trade accounts payables and accrued expenses; a $941,149 decrease in trade accounts and other receivables; and a $271,399 decrease in other prepaid expenses. For the year ended December 31, 2023, we used a total of $26,277,824 in cash for operating activities.

During the year ended December 31, 2024, we used $2,919,949 of cash for investing activities, which included: $1,358,991 in manufacturing equipment and tooling for our new waveguide manufacturing facility; $1,000,000 final payment made towards our technology license fee commitment with Atomistic; and $560,958 in patent and trademark expenditures. For the year ended December 31, 2023, we used a total of $19,280,966 in cash for investing activities.

During the year ended December 31, 2024, $18,290,235 was provided by financing activities related to: i) $10,000,000 from the sale of common stock under a securities purchase agreement with Quanta Computer Inc. entered into on September 3, 2024 (see Note 11 for further details) and ii) $8,290,235 of net proceeds received from sales of common stock under our ATM program in the fourth quarter of 2024 (see Note 11 for further details). For the year ended December 31, 2023, we used $449,561 in net cash for financing activities.

The Company's cash requirements are primarily for funding operating losses, working capital, research and development and capital expenditures. Our operations have historically been financed primarily through net proceeds from the sale of our equity securities. The Company incurred net losses for the year ended December 31, 2024 of $73,538,157; $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 $23,739,372 for the year ended December 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 December 31, 2024, the Company had an accumulated deficit of $367,522,950. The Company's cash outflows for investing activities were $2,919,949 for the year ended December 31, 2024; $19,280,966 for the year ended December 31, 2023; and $21,170,816 for the year ended December 31, 2022.

The Company's cash requirements going forward are primarily for funding operating losses, research and development, working capital and capital expenditures. The higher cash outflows totaling $32,500,000 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. The Company decided not to renew its technology license with Atomistic on June 30, 2024 and the license was terminated on July 1, 2024 by Atomistic. As a result, the Company has no further contractual requirements to pay further licensing development fees to Atomistic.

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

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

Management's plans and actions completed to date concerning our liquidity include, among other things:

- On September 13, 2024, the Company received $10,000,000 under the closing of the first tranche under a Securities Purchase Agreement for the sale of up to $20,000,000 in common stock and Series B Preferred Stock with Quanta Computer Inc. Under the first closing, the Company sold $10,000,000 of common stock. The second and third tranches, which are subject to achievement of specific milestones, will each be for the sale of $5,000,000 of Series B Preferred Stock. The Company expects that these milestones will be achieved in the first half of 2026;
- Reductions in our cash annual operating expenses across all operating areas, representing a reduction of at least 20% as compared to 2023 levels vs. 2024 levels, including in the areas of Research and Development, Sales and Marketing and General and Administrative;
- Right-sizing of operations across all areas of the Company, including headcount reductions and personnel hiring freezes;
- Reduction in the rate of new product introductions and further leveraging of existing platforms to reduce new product development and engineering costs;
- Delaying or curtailing discretionary and non-essential capital expenditures not related to near-term product and manufacturing needs, now that our waveguide manufacturing plant expansion has substantially been completed and the license fees payments under the Atomistic License have been completed;

- The expected margin contribution upon the commencement of volume manufacturing and sales of waveguides from our new waveguide manufacturing plant, particularly to OEM and ODM customers such as Quanta;
- Continued pursuit of further licensing and strategic opportunities around our waveguide technologies with potential ODMs/OEMs, which would include the receipt of upfront licensing fees and on-going supply agreements; and
- Reduction in our existing products' selling prices and higher volume discount levels to turn as much of our inventory of finished products into cash and pursue external manufacturers for Vuzix non-waveguide production needs.

The Company has historically raised capital through the sale of equity securities. The Company has entered into a sales agreement with an investment bank 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” (ATM) offering. The Company raised $8.2 million in the quarter ended December 31, 2024 and $1.3 million to date in 2025 under that ATM.

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

Contractual Obligations

The following is a summary of our contractual payment obligations as of December 31, 2024:

Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating Lease Obligations	$ 511,980	$ 511,980	$ —	—	—
Open Purchase Obligations	1,061,429	1,061,429	—	—	—

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

We invest our excess cash in short-term highly rated corporate debt instruments or commercial paper, which bear lower levels of relative risk. We believe that the effect, if any, of reasonably 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 unrecognized gain or loss on interest rate securities. Our portfolio of marketable debt securities is subject to interest rate risk although our intent is to hold securities until maturity. The credit rating of our investments may be affected by the underlying financial health of the guarantors of our investments. Our investment policy generally directs our investment managers to select investments to achieve the following goals: principal preservation, adequate liquidity, and return.

We are exposed to changes in foreign currency exchange rates primarily through the translation of our foreign subsidiary's financial positions, results of operations, and transaction gains and losses as a result of non-U.S. dollar denominated cash flows related to business activities in Asia and Europe, and re-measurement of U.S. dollars to the functional currency of our foreign subsidiaries. We are also exposed to the effects of exchange rates in the purchase of certain raw materials whose price is in U.S. dollars but the price on future purchases is subject to change based on the relationship of the Japanese Yen/Euro to the U.S. Dollar. 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 8. *Financial Statements and Supplementary Data*

The information required by this item is incorporated herein by reference to pages 57 through 84 of this annual report and is indexed under Item 15(a)(1) and (2).

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. ***Controls and Procedures***

The information contained in this section covers management's evaluation of our disclosure controls and procedures and our assessment of our internal control over financial reporting as of December 31, 2024.

(a) Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report as required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures are those controls and other procedures that are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is properly recorded, processed, summarized, and reported, within the time periods specified by the rules and forms promulgated by the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is properly accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As a result of this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2024, our disclosure controls and procedures were effective.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate "internal control over financial reporting," as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our system of internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with US GAAP.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized use, acquisition, or disposition of our assets that could have a material effect on the consolidated financial statements.

Under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation and the effectiveness of our internal control over financial reporting as of December 31, 2024, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013 framework). Based on that evaluation, our management concluded that, as of December 31, 2024, that our internal control over financial reporting was effective.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

(c) Limitations on the Effectiveness of Controls.

Because of its inherent limitations, internal control over financial reporting, no matter how well-conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met. Such controls may not prevent or detect every misstatement. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(d) Change in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the three months ended December 31, 2024 that has materially affected, or is likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

None.

Item 9C. ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.***

Not applicable.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this item will be presented in our definitive proxy statement not later than 120 days after the end of the fiscal year covered by this annual report and is incorporated in this annual report by reference thereto.

Item 11. ***Executive Compensation***

The information required by this item will be presented in our definitive proxy statement not later than 120 days after the end of the fiscal year covered by this annual report and is incorporated in this annual report by reference thereto, except, however, the section entitled “Compensation Committee Report” shall not be deemed to be “soliciting material” or to be filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act of 1934, as amended.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item will be presented in our definitive proxy statement not later than 120 days after the end of the fiscal year covered by this annual report and is incorporated in this annual report by reference thereto.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this item will be presented in our definitive proxy statement not later than 120 days after the end of the fiscal year covered by this annual report and is incorporated in this annual report by reference thereto.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item will be presented in our definitive proxy statement not later than 120 days after the end of the fiscal year covered by this annual report and is incorporated in this annual report by reference thereto.

PART IV

Item 15. ***Exhibits and Financial Statement Schedulesf***

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

(1) Financial Statements

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(2) Financial Statement Schedules

Financial statement schedules have been omitted because of the absence of conditions under which they are required or because the required information is included in the consolidated financial statements or the notes thereto.

(3) Exhibits

A list of exhibits filed with this annual report is set forth in the Exhibit Index and is incorporated in this Item 15(a)(3) by reference.

VUZIX CORPORATION

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Vuzix Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Vuzix Corporation and its subsidiaries (the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations, stockholders' equity and cash flows for each the three years in the period ended December 31, 2024, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Estimate for excess, obsolete and slow-moving inventory reserve

Critical Audit Matter Description

As discussed in Notes 1 and 3 to the consolidated financial statements, inventories are stated at the lower of cost or net realizable value using the weighted average first-in, first-out method. The Company records provisions for excess, obsolete or slow-moving inventory based on changes in customer demand, technology developments or other economic factors. The Company’s products have product life cycles that range on average from two to three years. At both the product introduction and product discontinuation stage, there is a higher degree of risk of inventory obsolescence. The excess, obsolete or slow-moving reserve serves to reduce the Company’s inventory balance through a charge to cost of sales – products sold.

The Company’s reserve for excess, obsolete or slow-moving inventory is based upon estimates of the evaluation of changes in customer demand, technology developments, and expected future product sales, which can be difficult to forecast. If the actual realization of excess, obsolete, and slow-moving inventory does not meet the Company’s assumptions future inventory adjustments would result in a decrease in gross profit. Due to the magnitude of the inventory, and the subjectivity involved in estimating the reserve, we identified the evaluation of the reserve as a critical audit matter, which required a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Addressing the matter involved performing subjective procedures and evaluating audit evidence in connecting with forming our overall opinion on the financial statements. The primary procedures we performed include, performing a retrospective review of prior year-estimates used to identify potential bias of management judgments; obtaining an understanding of the process and assumptions used by management to develop the reserve for excess, obsolete and slow-moving inventory; and testing management’s calculation of the reserve for excess, obsolete, and slow-moving inventory by: testing the completeness and accuracy of the source information used, testing the mathematical accuracy of management’s calculations, and evaluating the reasonableness and consistency of methodology and assumptions applied by management.

/s/ Freed Maxick P.C. (f/ka Freed Maxick CPAs, P.C.)

We have served as the Company's auditor since 2014.

Buffalo, New York
March 13, 2025

VUZIX CORPORATION

CONSOLIDATED BALANCE SHEETS

	December 31, 2024	December 31, 2023
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 18,186,506	$ 26,555,592
Accounts Receivable, net of allowance for credit losses of $89,000 at December 31, 2024 and $1,574,000 at December 31, 2023.	1,609,718	3,827,686
Accrued Revenues in Excess of Billings	673,498	165,771
Utility Improvement Refund	—	208,271
Inventories, Net	4,813,226	9,000,430
Manufacturing Vendor Prepayments	372,081	403,801
Prepaid Expenses and Other Assets	1,067,461	1,338,860
Total Current Assets	26,722,490	41,500,411
Long-Term Assets		
Fixed Assets, Net	7,584,284	8,072,830
Operating Lease Right-of-Use Asset	494,236	301,185
Patents and Trademarks, Net	2,998,760	2,627,018
Technology Licenses, Net	761,043	26,851,001
Cost Method Investment in Atomistic	—	5,784,126
Other Assets, Net	844,445	1,011,111
Total Assets	$ 39,405,258	$ 86,147,681
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	$ 538,221	$ 1,570,630
Unearned Revenue	125,901	18,839
Accrued Expenses	945,752	2,416,443
Licensing Fees Commitment	—	1,000,000
Income and Other Taxes Payable	8,163	46,727
Operating Lease Right-of-Use Liability	494,236	163,513
Total Current Liabilities	2,112,273	5,216,152
Long-Term Liabilities		
Operating Lease Right-of-Use Liability	—	137,672
Total Liabilities	2,112,273	5,353,824
Stockholders' Equity		
Common Stock - $0.001 Par Value, 100,000,000 shares authorized; 76,553,694 shares issued and 75,974,022 shares outstanding as of December 31, 2024 and 65,304,780 shares issued and 64,725,108 shares outstanding as of December 31, 2023.	76,553	65,304
Additional Paid-in Capital	407,215,883	377,189,847
Accumulated Deficit	(367,522,950)	(293,984,793)
Treasury Stock, at cost, 579,672 shares as of December 31, 2024 and 2023.	(2,476,501)	(2,476,501)
Total Stockholders' Equity	37,292,985	80,793,857
Total Liabilities and Stockholders' Equity	$ 39,405,258	$ 86,147,681

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

VUZIX CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional	Accumulated	Treasury Stock		
	Shares	**Amount**	**Paid-In Capital**	**Deficit**	**Shares**	**Amount**	**Total**
Balance - December 31, 2021	63,672,268	$ 63,672	$ 346,736,397	$ (203,072,143)	—	$ —	$ 143,727,926
Stock-Based Compensation Expense	(3,017)	(3)	14,473,433	—	—	—	14,473,430
Stock Option Exercises	114,528	114	57,586	—	—	—	57,700
Purchases of Treasury Stock	—	—	—	—	(464,672)	(2,005,744)	(2,005,744)
2022 Net Loss	—	—	—	(40,763,573)	—	—	(40,763,573)
Balance - December 31, 2022	63,783,779	$ 63,783	$ 361,267,416	$ (243,835,716)	(464,672)	$ (2,005,744)	$ 115,489,739
Stock-Based Compensation Expense	96,525	97	12,618,533	—	—	—	12,618,630
Stock Option Exercises	26,976	27	21,169	—	—	—	21,196
Stock Issued under Atomistic Stock Purchase Agreement	1,397,500	1,398	3,282,728	—	—	—	3,284,126
Purchases of Treasury Stock	—	—	—	—	(115,000)	(470,757)	(470,757)
2023 Net Loss	—	—	—	(50,149,077)	—	—	(50,149,077)
Balance - December 31, 2023	65,304,780	$ 65,305	$ 377,189,846	$ (293,984,793)	(579,672)	$ (2,476,501)	$ 80,793,857
Stock-Based Compensation Expense	1,006,723	1,007	11,564,369	—	—	—	11,565,376
Stock Option Exercises	115,765	116	110,644	—	—	—	110,760
Stock Issued under Atomistic Stock Purchase Agreement	174,688	175	181,500	—	—	—	181,675
Stock Issued under Quanta Securities Purchase Agreement	7,692,307	7,692	9,992,308	—	—	—	10,000,000
Proceeds from ATM Program, Net	2,259,431	2,259	8,177,216	—	—	—	8,179,475
2024 Net Loss	—	—	—	(73,538,157)	—	—	(73,538,157)
Balance - December 31, 2024	76,553,694	$ 76,553	$ 407,215,883	$ (367,522,950)	(579,672)	$ (2,476,501)	$ 37,292,985

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

VUZIX CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	For Years Ended December 31,		
	2024	2023	2022
Sales:			
Sales of Products	$ 4,487,202	$ 10,760,352	$ 10,505,763
Sales of Engineering Services	1,267,354	1,368,787	1,330,119
Total Sales	5,754,556	12,129,139	11,835,882
Cost of Sales:			
Cost of Sales - Products Sold	6,007,200	8,839,279	8,737,852
Cost of Sales - Inventory Reserve for Obsolescence	4,167,917	4,358,062	290,405
Cost of Sales - Depreciation and Amortization	734,456	886,117	799,317
Cost of Sales - Engineering Services	444,653	680,411	525,182
Total Cost of Sales	11,354,226	14,763,869	10,352,756
Gross Profit (Loss)	(5,599,670)	(2,634,730)	1,483,126
Operating Expenses:			
Research and Development	9,626,452	12,339,534	12,676,688
Selling and Marketing	8,191,427	12,711,800	8,078,538
General and Administrative	17,230,293	18,592,185	21,038,562
Depreciation and Amortization	2,994,643	3,844,428	1,788,584
Loss on Goodwill and Other Intangible Asset Impairment	—	2,136,993	—
Loss on Fixed Asset Disposal	27,654	—	35,350
Impairment on Intangible Asset and Equity Investment	30,301,355	—	—
Impairment of Patents and Trademarks	—	41,869	97,675
Total Operating Expenses	68,371,824	49,666,809	43,715,397
Loss From Operations	(73,971,494)	(52,301,539)	(42,232,271)
Other Income (Expense):			
Investment Income	591,319	2,219,226	1,395,579
Other Taxes	59,335	(230,973)	(212,997)
Foreign Exchange Gain (Loss)	(217,317)	(44,062)	(180,589)
Utility Improvement Refund/Employee Retention Credit Refund	—	208,271	466,705
Total Other Income, Net	433,337	2,152,462	1,468,698
Loss Before Provision for Income Taxes	(73,538,157)	(50,149,077)	(40,763,573)
Provision for Income Taxes	—	—	—
Net Loss	$ (73,538,157)	$ (50,149,077)	$ (40,763,573)
Basic and Diluted Net Loss per Common Share	$ (1.08)	$ (0.79)	$ (0.64)
Weighted-average Shares Outstanding - Basic and Diluted	67,836,002	63,432,422	63,708,986

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

VUZIX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Twelve Months Ended December 31,		
	2024	**2023**	**2022**
Cash Flows Used In Operating Activities			
Net Loss	$ (73,538,157)	$ (50,149,077)	$ (40,763,573)
Non-Cash Adjustments			
Depreciation and Amortization	3,930,169	4,931,692	2,587,901
Stock-Based Compensation	11,565,374	12,711,084	15,775,553
Impairment of Patents and Trademarks	—	41,869	97,675
Loss on Fixed Asset Disposal	27,654	—	35,350
Allowance for Credit Losses	977,363	1,574,000	—
Inventory Reserves for Obsolescence	4,167,917	4,358,062	290,405
Impairment on Intangible Assets and Equity Investments	30,301,355	2,136,993	—
(Increase) Decrease in Operating Assets			
Accounts Receivable	1,240,605	(1,842,715)	(1,316,542)
Accrued Revenues in Excess of Billings	(507,727)	103,358	(269,129)
Utility Improvement Refund/Employee Retention Credit Receivable	208,271	258,434	(466,705)
Inventories	19,287	(2,090,523)	593,608
Manufacturing Vendor Prepayments	31,720	594,870	(494,620)
Prepaid Expenses and Other Assets	271,399	167,837	(95,244)
Increase (Decrease) in Operating Liabilities			
Accounts Payable	(1,032,409)	358,883	(843,015)
Accrued Expenses	(1,470,691)	745,904	251,231
Unearned Revenue	107,062	(10,225)	1,268
Income and Other Taxes Payable	(38,564)	(168,270)	94,755
Net Cash Flows Used in Operating Activities	(23,739,372)	(26,277,824)	(24,521,082)
Cash Flows Used in Investing Activities			
Purchases of Fixed Assets	(1,358,991)	(5,323,483)	(1,723,622)
Investments in Patents and Trademarks	(560,958)	(632,483)	(499,031)
Investments in Licenses	(1,000,000)	(10,500,000)	(16,523,163)
Business Acquisition, net of cash acquired	—	—	(2,300,000)
Investments in Software Development	—	(125,000)	(125,000)
Investment in Atomistic	—	(2,500,000)	—
Investments in Other Assets	—	(200,000)	—
Net Cash Flows Used in Investing Activities	(2,919,949)	(19,280,966)	(21,170,816)
Cash Flows Provided by (Used in) Financing Activities			
Proceeds from Quanta Securities Purchase Agreement	10,000,000		
Proceeds from Exercise of Stock Options	110,760	21,196	57,712
Proceeds from ATM Program, Net	8,179,475	—	—
Purchases of Treasury Stock	—	(470,757)	(2,005,744)
Net Cash Flows Provided by (Used in) Financing Activities	18,290,235	(449,561)	(1,948,032)
Net Decrease in Cash and Cash Equivalents	(8,369,086)	(46,008,351)	(47,639,930)
Cash and Cash Equivalents - Beginning of Period	26,555,592	72,563,943	120,203,873
Cash and Cash Equivalents - End of Period	$ 18,186,506	$ 26,555,592	$ 72,563,943
Supplemental Disclosures			
Non-Cash Investment in Licenses	—	1,000,000	11,500,000
Investment in Atomistic - Equity issued	181,675	3,284,126	—
Depreciation and Amortization included in Research and Development Expense	201,070	201,147	—
Stock-Based Compensation Expense - Expensed less Previously Issued	—	92,454	61,824

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

VUZIX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Summary of Significant Accounting Policies

Operations

Vuzix Corporation (the Company) was formed in 1997 under the laws of the State of Delaware and maintains its corporate offices in West Henrietta, New York (a suburb of Rochester). We are engaged in the design, manufacture, marketing and sale of augmented reality wearable display and computing devices also referred to as head mounted displays (or HMDs, but also known as near-eye displays), in the form of Artificial Intelligence (AI)-powered Smart Glasses, Waveguides, and Augmented Reality (AR) technologies. Our AI/AR 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. The wearable display products we produce can be used for a variety of enterprise, commercial, medical, and defense uses and applications, including AR for on-the-go users and as mobile displays and remote service support devices. Our products are available with varying features and are offered as monocular and binocular display systems.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Vuzix Europe GmbH, Vuzix Japan Corporation, and Moviynt, Inc. All inter-company transactions have been eliminated.

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 had accounted 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 was our capital investment in them. The carrying value and maximum exposure of this unconsolidated VIE was $31.8 million as of March 31, 2024; however, as of June 30, 2024, the carrying value of these investments of $30.1 million was written-off due to the termination of the Company's exclusive license. Refer to Notes 6 and 7 for further details.

Investments in Equity Investments

Investments in equity securities with a readily determinable fair value, not accounted for under the equity method, are recorded at that value with unrealized gains and losses included in earnings. For equity securities without a readily determinable fair value, the investment is recorded at cost, less any impairment, plus or minus adjustments related to observable transactions for the same or similar securities, with unrealized gains and losses included in earnings.

Segment Data, Geographic Information and Significant Customers

As of December 15, 2024, the Company adopted FASB's ASU 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures", which provides updates to qualitative and quantitative reportable segment disclosure requirements, including enhanced disclosures about significant segment expenses and increased interim disclosure requirements, among others.

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

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

Significant expenses regularly provided to and reviewed by the CODM are Cost of Sales, Research and Development, Compensation, General and Administrative and Intangible asset and equity investment impairment. These segment items for the years ending December 31, 2024, 2023, and 2022 are:

	2024	2023	2022
Sales	$ 5,754,556	$ 12,129,139	$ 11,835,882
Less expenses:			
Cost of Sales, excluding compensation	(9,551,391)	(13,327,890)	(9,065,390)
Research and Development, excluding compensation	(2,922,449)	(3,548,119)	(4,639,115)
Total compensation	(24,472,651)	(30,113,789)	(29,517,624)
General and Administrative, excluding compensation	(6,229,882)	(5,100,484)	(5,169,410)
Intangible asset and equity investment impairment	(30,301,355)	(2,136,993)	—
Other segment items	(5,814,985)	(8,050,941)	(4,207,916)
	(79,292,713)	(62,278,216)	(52,599,455)
Loss before income taxes	**$** (73,538,157)	**$** (50,149,077)	**$** (40,763,573)

Other Segment Items:

- Selling and Marketing, excluding compensation expenses;

- Depreciation and amortization, not included in Cost of Sales; and
- Other income.

Refer to Note 17 — Geographic and Other Financial Information (Unaudited).

Foreign Currency Transactions

The Company considers the U.S. dollar as the functional currency of the Company's German and Japanese subsidiaries. The Company's German subsidiary transacts primarily in Euros and the Company's Japanese subsidiary transacts primarily in Yen. All transactions in foreign currencies are recorded in U.S. dollars at the then current exchange rate(s). Upon settlement of the underlying transaction, all amounts are re-measured to U.S. dollars at the current exchange rate on the date of settlement. All unsettled foreign currency transactions that remain in accounts receivable and trade account payables are re-measured to U.S. dollars at the period-end exchange rates. All re-measurement gains and losses are recorded in the current period net income.

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.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits.

Cash and Cash Equivalents

Cash and cash equivalents can include highly liquid investments with original maturities of three months or less.

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 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 for at least twelve (12) months from the date these financial statements were released.

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.

The Company incurred net losses for the year ended December 31, 2024 of $73,538,157; $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 $23,739,372 for the year ended December 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 December 31, 2024, the Company had an accumulated deficit of $367,522,950.

The Company's cash requirements going forward are primarily for funding operating losses, research and development, working capital and capital expenditures.

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

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

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

- On September 13, 2024, the Company received $10,000,000 under the closing of the first tranche under a Securities Purchase Agreement for the sale of up to $20,000,000 in common stock and Series B Preferred Stock with Quanta Computer Inc. Under the first closing, the Company sold $10,000,000 of common stock. The second and third tranches, which are subject to achievement of specific milestones, will each be for the sale of $5,000,000 of Series B Preferred Stock. The Company expects that these milestones will be achieved in the first half of 2026;

- Reductions in our cash annual operating expenses across all operating areas, representing a reduction of at least 20% as compared to 2023 levels vs. 2024 levels, including in the areas of Research and Development, Sales and Marketing and General and Administrative;

- Right-sizing of operations across all areas of the Company, including headcount reductions and personnel hiring freezes;

- Reduction in the rate of new product introductions and further leveraging of existing platforms to reduce new product development and engineering costs;

- Delaying or curtailing discretionary and non-essential capital expenditures not related to near-term product and manufacturing needs, now that our waveguide manufacturing plant expansion has substantially been completed and the license fees payments under the Atomistic License have been completed;

- The expected margin contribution upon the commencement of volume manufacturing and sales of waveguides from our new waveguide manufacturing plant, particularly to ODM customers such as Quanta;

- Continued pursuit of further licensing and strategic opportunities around our waveguide technologies with potential ODMs/OEMs, which would include the receipt of upfront licensing fees and on-going supply agreements; and

- Reduction in our existing products' selling prices and higher volume discount levels to turn as much of our inventory of finished products into cash and pursue external manufacturers for Vuzix non-waveguide production needs.

The Company has historically raised capital through the sale of equity securities. The Company has entered into a sales agreement with an investment bank 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" (ATM) offering. The Company raised $8.2 million in the quarter ended December 31, 2024 and $1.3 million to date in 2025 under that ATM. Management monitors the capital markets on an ongoing basis and may consider raising capital if favorable market conditions develop.

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

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.

Accounts Receivable

The Company maintains reserves for potential credit losses based upon our historical experience, aging profile and general market conditions. Receivable balances are written-off when collection is deemed unlikely. In determining the adequacy of the provision, the Company considers known uncollectible or at-risk receivables. The total allowance for expected credit losses as of December 31, 2024 and 2023 was $89,000 and $1,574,000, respectively. During the year ended December 31, 2024, the Company wrote-off gross receivables of $2,462,219, which included $1,402,484 of accounts receivables that were fully provisioned for in the year ended December 31, 2023. The Company does not accrue interest on any past due accounts receivable unless such receivable goes into collection.

Customer and Supplier Concentrations

One customer represented 24% of total product revenue and two customers represented 67% and 14%, respectively, of our engineering services revenue for the year ended December 31, 2024. Two customers represented 29% and 25%, respectively, of total product revenue and four customers represented 44%, 15%, 12% and 11%, respectively, of our engineering services revenue for the year ended December 31, 2023. One customer represented 14% of total product revenue and two customers represented 48% and 39%, respectively, of engineering services revenue for the year ended December 31, 2022.

One customer represented 76% of accounts receivable at December 31, 2024. Two customers represented 47% and 26%, respectively, of gross accounts receivable at December 31, 2023. One customer represented 26% of accounts receivable at December 31, 2022.

One third-party vendor represented 63% of material purchases for the year ended December 31, 2024. No third-party vendors represented more than 10% of material purchases for the year ended December 31, 2023. One third-party vendor represented 15% of purchases for the year ended December 31, 2022. As of December 31, 2022, the net amount due to this vendor was $478,382.

Accrued Project Revenue

The Company carries accrued project revenue based on the percentage of completion on the project measured using the input method based upon costs incurred to date as a percentage of total expected costs to complete the project less amounts invoiced, if any. As of December 31, 2024, 2023, and 2022 there was $673,498, $165,771, and $269,129, respectively, in accrued project revenue.

Inventories

Inventories are valued at the lower of cost or net realizable value using the weighted average first-in, first-out method. The Company includes labor and overhead costs in its inventory valuation costing. The Company records provisions for excess, obsolete or slow-moving inventory based on changes in customer demand, technology developments or other economic factors. The Company's products have product life cycles that range on average from two to three years currently. At both the product introduction and product discontinuation stage, there is a higher degree of risk of inventory obsolescence. The provision for obsolete and excess inventory is evaluated for adequacy at each quarter end. The estimate of the provision for obsolete and excess inventory is partially based on expected future product sales, which are difficult to forecast for certain products. The total provision for inventory as of December 31, 2024 and 2023 was $7,944,575 and $5,775,551, respectively.

Revenue Recognition

The Company recognizes revenue from Contracts with Customers under FASB ASC Topic 606, "Revenue from Contracts with Customers". Product sales represent the majority of the Company's revenue. The Company recognizes revenue from these product sales as performance obligations are satisfied and transfer of control and ownership to the customer has occurred, typically upon physical shipment. Revenue is recognized in the amount that the Company expects to receive in exchange from the sale of our products. FOB shipping point is our standard shipping term and revenue is generally recognized as our products ship to customers, as control and ownership are transferred at this time. All of our standard product sales include a 30-day money back guarantee and expected returns are estimated at each reporting period date, and a portion of revenue is deferred for all estimated returns. As of December 31, 2024 and 2023, unearned revenue consisting of deferred revenue associated with our expected returns were immaterial. The Company collects and remits sales taxes in certain jurisdictions and reports revenue net of any associated sales taxes.

Revenue from any engineering consulting and other services is recognized at the time the services are rendered. The Company accounts for its longer-term development contracts, which to date have all been firm fixed-priced contracts, on the percentage-of-completion method, whereby income is recognized as work on contracts progresses, but estimated losses on contracts in progress are charged to operations immediately. The percentage-of-completion is determined using the cost-to-cost method. To date, the majority of such contracts have been less than one calendar year in duration.

Unearned Revenue

These amounts represent deferred revenue against our expected product sales returns for all December 2024 and 2023 products sales that are subject to the Company's 30-day money back guarantee return policy.

Cost of Product Sales

Cost of product sales includes the direct and allocated indirect costs of products sold to customers. Direct costs include labor, materials, reserves for estimated warranty expenses, and other costs incurred directly, or charged to us by our contract manufacturers in the manufacturing of these products. Indirect costs include labor, manufacturing overhead, and other costs associated with operating our manufacturing facility and capacity. Manufacturing overhead includes the costs of procuring, inspecting and storing material, facility and other costs, and is allocated to cost of product revenue based on the proportion of indirect labor which supported production activities. Depreciation of manufacturing tools and equipment and amortization of software development costs are included in our cost of product sales. The cost of product sales can fluctuate significantly from period to period, depending upon the product mix and volume, the level of manufacturing overhead expense and the volume of direct cost of materials.

Cost of Engineering Services Sales

Cost of engineering services revenues includes both the direct and allocated indirect costs of performing on contracts and producing prototype units. Direct costs include labor, materials and other costs incurred directly in performing under the contract. Direct costs also include labor and other costs associated with operating our research and development department based on the level of effort supporting the development activity. Cost of engineering sales is determined by the level of direct and indirect costs incurred, which can fluctuate substantially from period to period.

Fixed Assets

Fixed assets are stated at cost. Depreciation of fixed assets is provided for using the straight-line method over the following estimated useful lives:

Computers and Purchased Software	3 years
Leasehold Improvements	Lesser of expected life or lease term
Manufacturing Equipment	5 years
Tooling	3 years
Furniture and Equipment	5 years

Repair and maintenance costs are expensed as incurred. Asset betterments are capitalized and depreciated over their expected useful life.

Patents and Trademarks

The Company capitalizes the costs of obtaining its patents and registration of trademarks. Such costs are accumulated and capitalized during the filing periods, which can take several years to complete. Successful applications that result in the granting of a patent or trademark are then amortized over 15 years on a straight-line basis. Unsuccessful applications are written-off and expensed in the fiscal period where the application is abandoned or discontinued. Ongoing maintenance and legal fees for issued patents and trademarks are expensed as incurred.

Software Development Costs

The Company capitalizes the costs of obtaining or developing its software once technological feasibility has been determined by management or of purchased software solutions when placed into service. Such costs are accumulated and capitalized. Projects can take several years to complete. Unsuccessful or discontinued software projects are written-off and expensed in the fiscal period when the software development effort is abandoned or discontinued. Costs incurred internally in researching and developing a computer software product are charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, all software costs are capitalized until the product is available for general release to customers. Judgment is required in determining when technological feasibility of a product is established. Once the product is available for general release, accumulated costs are amortized over the life of the asset. The amortization of these costs is included in cost of product sales over the estimated life of the products, which currently is estimated at three years using a straight-line basis. As of December 31, 2024, 2023, and 2022, we had $194,444, $361,111, and $500,000, respectively, of net software development costs included in Other Assets. For the years ended December 31, 2024, 2023, and 2022, there was nil in impairment of software development costs.

Licenses

The Company capitalizes the costs of acquiring licenses and prepaid royalties. They are amortized on either a per unit basis or straight line over the expected life of the license. In some cases, future royalties are subject to annual limits.

Long-Lived Assets, Goodwill and Other Acquired Intangible Assets

The Company, at least annually, assesses all of its long-lived assets and intangibles, excluding goodwill, for impairment and when events or circumstances indicate their carrying amounts may not be recoverable. For the years ended December 31, 2024, 2023, and 2022, there was an impairment charge of nil, $41,869, and $97,675, respectively, to Patents and Trademarks. For the years ended December 31, 2024, 2023, and 2022, we recorded a loss on fixed asset disposal of $27,654, nil, and $35,350, respectively, upon the retirement of certain tooling and manufacturing equipment assets no longer in use. Intangible assets with definite lives are amortized over their estimated useful lives on a straight-line basis over a five-year period.

Research and Development

Research and development costs are expensed as incurred consistent with the guidance of FASB ASC Topic 730, "Research and Development," and include employee related costs, office expenses, third-party design and engineering services, and new product prototyping costs. Costs incurred internally in researching and developing a computer software product are charged to expense until technological feasibility has been established for the product.

Shipping and Handling Costs

Amounts charged to customers and costs incurred by the Company related to shipping and handling are included in net sales and cost of sales, respectively.

Provision for Future Warranty Costs

The Company provides for the estimated returns under warranty and the costs of fulfilling our obligations under product warranties at the time the related revenue is recognized. The Company estimates the costs based on historical and projected product failure rates, historical and projected repair costs, and knowledge of specific product failures (if any). The specific warranty terms and conditions vary depending upon the country in which we do business but generally include parts and labor over a period generally ranging from one to two years from the date of product shipment. The Company provides a reserve for expected future warranty returns at the time of product shipment or produces over-builds to cover replacements. We regularly re-evaluate our estimates to assess the adequacy of the recorded warranty liabilities and adjust the amounts as necessary each quarter end, based upon historical experience of warranty claims and costs.

Advertising

Advertising costs are expensed as incurred and recorded in "Selling and Marketing" in the Consolidated Statements of Operations. Advertising expense for the years ended December 31, 2024, 2023, and 2022 was $648,123, $2,279,797 and $1,668,910, respectively.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC Topic 740-10, "Income Taxes." Accordingly, the Company provides deferred income tax assets and liabilities based on the estimated future tax effects of differences between the financial and tax bases of assets and liabilities based on currently enacted tax laws. A valuation allowance is established for deferred tax assets in amounts for which realization is not considered more likely than not to occur.

The Company reports any interest and penalties accrued relating to uncertain income tax positions as a component of the income tax provision.

Net Loss Per Share

Basic earnings per share is computed by dividing the net income (loss) less accrued dividends on any outstanding preferred stock by the weighted average number of common shares outstanding for the period. Diluted earnings per share calculations reflect the assumed exercise of all dilutive employee stock options and warrants applying the treasury stock method promulgated by FASB ASC Topic 260, "Earnings Per Share" and the conversion of any outstanding convertible preferred shares or notes payable that are in-the-money, applying the as-if-converted method. However, if the assumed exercise of stock options and warrants and the conversion of any preferred shares are anti-dilutive, basic and diluted earnings per share are the same for all periods. As a result of the net losses generated in 2024, 2023 and 2022, all outstanding instruments would be anti-dilutive. As of December 31, 2024, 2023, and 2022, there were 10,367,990, 8,695,308 and 8,589,673 common stock share equivalents, respectively, that were potentially issuable under stock options that could potentially dilute basic earnings per share in the future.

Stock-Based Compensation Expense

The Company accounts for stock-based compensation to employees and directors in accordance with FASB ASC Topic 718, “Compensation - Stock Compensation,” which requires that compensation expense be recognized in the consolidated financial statements for stock-based awards based on the grant date fair value. For stock option awards, the Black-Scholes-Merton option pricing model was used to estimate the fair value of share-based awards under FASB ASC Topic 718. The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and share price volatility. The expected term of options granted was estimated to be the average of the vesting term, historical exercise and forfeiture rates, and the contractual life of the option. The share price volatility at the grant date is estimated using historical stock prices based upon the expected term of the options granted. The risk-free interest rate assumption is determined using the rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued.

For common stock awards, the Company uses the fair market value of our common stock on the date of each stock-based award based on the market price of the Company’s common shares and the expense related to these awards is recognized over the requisite service period of the awards on a straight-line or graded vesting basis, which is generally commensurate with the vesting term. Stock-based compensation expense associated with stock awards and stock option grants for the years ended December 31, 2024, 2023, and 2022 was $5,928,198, $4,566,253, and $4,645,026, respectively, excluding awards under the Company’s Long-term Incentive Plan (LTIP). The Company issues new shares upon stock option exercises.

For stock options awarded under the Company's LTIP, options vest only upon the achievement of certain equity market conditions or performance-based milestones. The fair value of options granted under this program were calculated by using a Monte Carlo simulation for the equity market condition tranches and the Black-Scholes-Merton option pricing method on the performance-based tranches. Stock-based compensation expense associated with the Company's LTIP for the years ended December 31, 2024, 2023, and 2022 was $5,637,176, $8,144,734, and $11,130,527, respectively.

Leases

The Company determines if an arrangement is a lease at inception. Our lease agreements generally contain lease and non-lease components. Historically, non-lease components such as utilities have been immaterial. Payments under our lease arrangements are primarily fixed. Lease assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. The Company has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate leases. The interest rate used to determine the present value of the future lease payments is our incremental borrowing rate, because the interest rate implicit in our leases is not readily determinable. Our incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. Our lease terms include periods under options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

As of December 31, 2024, all of our leases are considered operating leases. Operating lease right-of-use assets and liabilities were included on our Consolidated Balance Sheets beginning January 1, 2019. The Company does not have any finance leases as of December 31, 2024.

Recent Accounting Pronouncements

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. Management is currently evaluating the impact of ASU 2023-09 on the Company’s consolidated financial statements.

Note 2 – Revenue Recognition and Contracts with Customers

Disaggregated Revenue

The Company's total revenue was comprised of two major product lines: Products Sales (which include Smart Glasses, OEM Product Sales, and Waveguide and Display Engine Sales) and Engineering Services. The following table summarizes the revenue recognized by product line:

	For the Years Ended December 31,		
	2024	2023	2022
Revenues			
Products Sales	$ 4,487,202	$ 10,760,352	$ 10,505,763
Engineering Services	1,267,354	1,368,787	1,330,119
Total Revenue	$ 5,754,556	$ 12,129,139	$ 11,835,882

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

As of December 31, 2024 and 2023, there were $109,725 and nil, respectively, in outstanding performance obligations remaining for extended warranties.

The following table presents a summary of the Company's net sales by revenue recognition method as a percentage of total net sales:

	% of Total Net Sales		
	2024	2023	2022
Point-in-Time	78 %	89 %	89 %
Over Time – Input Method	22 %	11 %	11 %
Total	100 %	100 %	100 %

Remaining Performance Obligations

As of December 31, 2024, the Company had $2,051,502 of remaining performance obligations under a current waveguide development project, including initial product production, which represents the remainder of transaction prices totaling $3,500,000 under this development project, 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 the following expected due dates: 40% in 2025 and 60% in 2026. Revenues earned less amounts invoiced at December 31, 2024, in the amount of $673,498 are reflected as Accrued Revenues in Excess of Billings in the accompanying Consolidated Balance Sheet.

As of December 31, 2023, the Company had $2,929,709 of remaining performance obligations under three current waveguide development projects, which represents the remainder of transaction prices totaling $3,637,240 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 the following expected due dates: 66% in 2024 and 34% in 2025. Revenues earned less amounts invoiced at December 31, 2023, in the amount of $165,771 are reflected as Accrued Revenues in Excess of Billings in the accompanying Consolidated Balance Sheet.

The Company had no material outstanding performance obligations related to product sales, other than its standard product warranty.

Note 3 — Inventories, Net

Inventories consisted of the following:

	December 31, 2024	December 31, 2023
Purchased Parts and Components	$ 8,615,537	$ 9,500,415
Work-in-Process	264,715	394,923
Finished Goods	3,877,549	4,880,643
Less: Reserve for Obsolescence	(7,944,575)	(5,775,551)
Inventories, Net	$ 4,813,226	$ 9,000,430

In addition to its normal Reserve for Obsolescence provision, the Company reserved as of December 31, 2024 additional provisions for expected surplus component parts and obsolescence in excess of its currently planned existing product builds in 2025 and into 2026 on most of its existing smart glass product models in anticipation of the planned introduction of newer models, which would logically replace the existing models when introduced. The disposal value of the excess components that could not be used in future models is unknown, so a 100% obsolescence provision has been accrued. During the year ended December 31, 2024, the Company wrote-off gross inventory of $4,167,917 and disposed of $1,998,893 of inventory that was fully provisioned for in the previous year. The total obsolescence provisions totaled $7,944,575 and $5,775,551 for the years ended December 31, 2024 and 2023, respectively. The changes to these provisions are included in Cost of Sales on the Consolidated Statements of Operations.

Note 4 — Fixed Assets, Net

Fixed Assets consisted of the following:

	December 31, 2024	December 31, 2023
Tooling and Manufacturing Equipment	$ 8,313,749	$ 8,793,192
Leasehold Improvements	2,840,176	3,162,695
Computers and Purchased Software	679,139	833,794
Furniture and Equipment	2,478,888	2,580,904
	14,311,952	15,370,585
Less: Accumulated Depreciation	(6,727,668)	(7,297,755)
Fixed Assets, Net	$ 7,584,284	$ 8,072,830

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

Total depreciation expense for fixed assets for the years ended December 31, 2024, 2023, and 2022 was $1,819,883, $1,036,578, and $869,502, respectively.

As of December 31, 2024 and 2023, there was $4,931,005 and $5,981,271, respectively, of fixed assets that are not yet placed into service.

Note 5 — Patents and Trademarks, Net

	December 31, 2024	December 31, 2023
Patents and Trademarks	$ 4,286,743	$ 3,727,265
Less: Accumulated Amortization	(1,287,983)	(1,100,247)
Patents and Trademarks, Net	$ 2,998,760	$ 2,627,018

Total amortization expense for patents and trademarks for the years ended December 31, 2024, 2023, and 2022 was $189,216, $183,690 and $149,700, respectively. The estimated aggregate annual amortization expense for each of the next five fiscal years is approximately $286,000. For the years ended December 31, 2024, 2023, and 2022, we recorded nil, $41,869, and $97,675, respectively, in patent impairment charges.

Note 6 — Technology Licenses, Net

	December 31, 2024	December 31, 2023
Licenses	$ 32,443,356	$ 32,443,356
Write-Offs	(30,000,000)	—
Less: Accumulated Amortization	(1,682,313)	(5,592,355)
Licenses, Net	$ 761,043	$ 26,851,001

Total amortization expense related to these intangible technology licenses in the years ended December 31, 2024, 2023, and 2022 was $1,553,334, $3,307,737, and $1,231,197, respectively. The estimated aggregate annual amortization expense for the next four fiscal years is approximately $190,000.

On May 12, 2022, the Company signed a series of agreements with Atomistic SAS, which provided for an exclusive license by the Company of key microLED technology and for the custom design of a backplane, for cash commitments totaling $30 million along with equity issuance commitments to be made by the Company relating to the certain deliverables and the achievement of milestones by Atomistic. $15 million of the consideration was for the design and construction of the backplane, all of which is custom to the Company. On December 16, 2022, the Company signed new agreements with Atomistic (the "Atomistic Agreements") that superseded the prior May 12, 2022 agreements, whereby the scope for the construction of a backplane was modified and the Company obtained an additional license in an alternative self-emissive microLED technology.

During the year ended December 31, 2024, the Company made the decision to cease further funding of development activities with Atomistic SAS ("Atomistic") under the license agreement, dated December 16, 2022, among the Company, Atomistic, and Atomistic's two principals (the "License Agreement"). The Company's decision gave Atomistic the right under the License Agreement to terminate the Granted License (as defined under the License Agreement), which right Atomistic exercised on July 1, 2024. As a result of the termination of the granted license, on July 1, 2024, which was effective June 30, 2024, the Company determined that the technology license asset of $24,335,554, net book value as of June 30, 2024, had been impaired as the Company no longer held exclusive licensing rights to the technology for its use. In addition, in connection with the Atomistic agreements, the Company recorded an additional impairment charge in the amount of $181,676 in August for the issuance of 174,688 shares of common stock at a fair market value of $1.04 per share to the Founders of Atomistic for the achievement of certain technological milestones.

Notwithstanding the termination of the Granted License, the Company will be entitled to certain License Royalties (as defined under the License Agreement) from Atomistic if it licenses the technology that was the subject of the granted license.

Note 7 — Investment in Atomistic

In November 2023, Atomistic successfully reached seven of twelve 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 $3,284,125.

Subsequently, and in addtion to the write-off of the Atomistic technology license discussed in Note 6, based upon the fact that Atomistic has lost future funding from the Company and most likely will not have adequate funds on its own to complete the project without raising additional funding from other third parties, the Company also determined the equity investment has been impaired and the Company recorded a charge of $5,784,125 for the period ended December 31, 2024. The Company will retain an equity interest in Atomistic, the right to appoint a member to the Atomistic board of directors and certain other rights as an equity owner pursuant to the stock purchase agreement and shareholders' agreement entered into in connection with the License Agreement. The Company's equity interest in Atomistic entitles it to a preferential allocation to 49% of the distributable amounts in the event of a liquidation event, such as an acquisition of Atomistic or its assets.

Future royalties of the license and the 49% liquidation preferred allocation value, if any, are considered gain contingencies and will not be recorded until any specific events materialize. At this specific point in time, the Company is unable to reasonably estimate a value to all those contingencies and therefore recorded a full impairment against the license and the investment in Atomistic preferred shares due to such uncertainty of potential outcomes.

Note 8 – Other Assets

The Company's other assets consist of the following:

	December 31, 2024	December 31, 2023
Investments (fair value not readily determinable)	$ 650,000	$ 450,000
Additions	—	200,000
Total Investments (at cost)	650,000	650,000
Software Development Costs	1,000,000	875,000
Additions	—	125,000
Less: Accumulated Amortization	(805,555)	(638,889)
Software Development Costs, Net	194,445	361,111
Total Other Assets	$ 844,445	$ 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 through a subsequent round of funding in order 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.

During 2020, the Company invested $500,000 in Android operating systems upgrades for its CPU platform used in its M400 and M4000 products, which was recorded as Software Development Costs. This upgrade was completed and placed into service in the beginning of the fourth quarter of 2020. This capitalized asset is being amortized on a straight-line basis over its expected product life span of thirty-six (36) months, which began on October 1, 2020 and became fully amortized in 2023. In October 2021, the Company invested $250,000 and in the first quarter of 2022 the Company invested an additional $125,000 for further Android operating systems version upgrades to the CPU platform it uses in its M400 and M4000 products. During the year ended December 31, 2023, the Company made a final investment of $125,000 to these software system upgrades, which were placed into service during the second quarter of 2023. These additional upgrades of $500,000 are being amortized on a straight-line basis over thirty-six (36) months.

Total amortization expense for capitalized software development costs for the years ended December 31, 2024, 2023, and 2022 was $166,667, $263,549 and $166,667, respectively, and are included in Cost of Sales – Products in the Consolidated Statements of Operations.

Note 9 — Accrued Expenses

Accrued expenses consisted of the following:

	December 31, 2024	December 31, 2023
Accrued Wages and Related Costs	$ 417,266	$ 1,711,707
Accrued Professional Services	240,000	362,100
Accrued Warranty Obligations	46,078	188,249
Other Accrued Expenses	242,408	154,387
Total	$ 945,752	$ 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.

The changes in the Company's accrued warranty obligations for the years ended December 31, 2024, 2023, and 2022 were as follows:

Accrued Warranty Obligations at December 31, 2021	$ 185,044
Reductions for Settling Warranties	(408,655)
Warranty Issued During Year	383,538
Accrued Warranty Obligations at December 31, 2022	$ 159,927
Reductions for Settling Warranties	(286,851)
Warranty Issued During Year	315,173
Accrued Warranty Obligations at December 31, 2023	$ 188,249
Reductions for Settling Warranties	(276,787)
Warranties Issued During Period	134,616
Accrued Warranty Obligations at December 31, 2024	$ 46,078

Note 10 — Income Taxes

The Company files U.S. federal and various state and foreign tax returns.

Pre-tax earnings consisted of the following for the years ended:

	December 31, 2024	December 31, 2023	December 31, 2022
Pre-Tax Income (Loss)			
U.S.	$ (72,864,232)	$ (49,035,562)	$ (41,356,619)
Outside the U.S.	(673,925)	(1,113,515)	593,046
Total Pre-Tax Income (Loss)	$ (73,538,157)	$ (50,149,077)	$ (40,763,573)

The provision expense/(benefit) for income taxes for the years ended December 31, 2024, 2023, and 2022 was as follows:

	2024	2023	2022
U.S. Income Taxes:			
Current Provision	$ —	$ —	$ —
Deferred Provision	(13,257,284)	(7,207,958)	(2,957,991)
Valuation Allowance	13,257,284	7,207,958	2,957,991
Income Taxes Outside the U.S.:			
Current Provision	—	—	—
Deferred Provision	(82,211)	297,343	109,107
Valuation Allowance	82,211	(297,343)	(109,107)
State Income Taxes:			
Current Provision	—	—	—
Deferred Provision	(552,573)	(634,503)	271,248
Valuation Allowance	552,573	634,503	(271,248)
Total Provision	$ —	$ —	$ —

A reconciliation of the statutory U.S. federal income tax rate to the effective rates for the years ended December 31, 2024, 2023, and 2022 is as follows:

	2024 %	2023 %	2022 %
Federal Income Tax at Statutory Rate	21.0	21.0	21.0
State Tax Provision, Net of Federal Benefit	0.8	1.1	(0.5)
Permanent Differences	(0.0)	(0.7)	(0.4)
Federal Tax Credits	—	—	(0.1)
Stock Compensation	(2.7)	(5.0)	(13.2)
Foreign Tax Provision	(0.1)	(1.4)	0.1
Expiration of NOL, Credits, Charitable Contribution	(0.1)	—	(0.8)
Other	—	—	0.2
Effective Tax Rate	18.9	15.0	6.3
Change in Valuation Allowance	(18.9)	(15.0)	(6.3)
Net Effective Tax Rate	—	—	—

Significant components of the Company's deferred tax assets and liabilities at year end are as follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Deferred Tax Assets:			
Net Operating Loss Carryforwards	$ 48,639,974	$ 42,538,219	$ 38,655,757
Tax Credit Carryforwards	4,186,788	4,191,198	4,048,872
Inventory Valuation Adjustment	1,839,907	1,316,114	350,165
Stock-based Compensation	1,476,671	1,098,240	890,169
Lease Obligation Liability	107,546	65,628	204,141
Capitalized R&D	4,972,383	4,172,773	2,265,857
Intangible Assets	5,740,760	510,539	—
Investment in Atomistic	1,298,158	—	—
Other	192,038	627,529	702,540
Total Deferred Tax Assets	68,454,225	54,520,240	47,117,501
Deferred Tax Liabilities:			
Lease Right of Use Asset	107,546	65,628	204,141
Moviynt Intangibles	—	—	3,867
Total Deferred Tax Liabilities	107,546	65,628	208,008
Net Deferred Tax Assets Before Valuation Allowance	68,346,679	54,454,612	46,909,493
Valuation Allowance	(68,346,679)	(54,454,612)	(46,909,493)
Net Deferred Tax Assets	$ —	$ —	$ —

As December 31, 2024, the Company has approximately $224 million in U.S. federal net operating loss (NOL) carryforwards. Some of these NOL carryforwards will expire beginning in 2025 and others are not subject to expiration. Specifically, $75.2 million of the NOL carryforward will begin to expire in 2025 and as a result of the Tax Cuts and Jobs Act, the remaining NOL carryforwards have no expiration. In addition to the U.S. Federal NOL carryforward, the Company has state NOL carryforwards of approximately $13.4 million in various jurisdictions in which it files that will begin to expire in 2034. The Company also has approximately $4.2 million of federal and state credit carryforwards. The credit carryforwards will begin to expire in 2025 and will be fully expired by 2042 if not utilized. Utilization of the NOL carryforwards may be subject to an annual limitation in the case of sufficient equity ownership changes under Section 382 of the tax law or the NOLs may expire unutilized.

In addition to the U.S. Federal and state attributes noted above, Vuzix Europe GmbH, a wholly-owned subsidiary incorporated in Germany, has NOLs as of December 31, 2024 of $286,000 that have no expiration. Vuzix Japan KK, a corporate entity wholly-owned by the Company in Japan, has NOLs as of December 31, 2024 of $176,000 that will expire in 2034.

As the result of the assessment of the FASB ASC 740-10 ("Prior Authoritative Literature: FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109"), the Company has no unrecognized tax benefits.

The Company's U.S. Federal and state tax matters for the years 2020 through 2023 remain subject to examination by the respective tax authorities.

FASB ASC 740 ("Prior Authoritative Literature: SFAS No. 109, Accounting for Income Taxes"), requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on differing treatment of items for financial reporting and income tax reporting purposes. The deferred tax balances are adjusted to reflect tax rates by tax jurisdiction, based on currently enacted tax laws, which will be in effect in the years in which the temporary differences are expected to reverse. In light of the historic losses of the Company, a 100% valuation allowance has been recorded to fully offset any benefit associated with the net deferred tax assets, for which realization is not considered more likely than not to occur.

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. The Company has 5,000,000 authorized shares of preferred stock with a par value of $0.001 as of December 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 December 31, 2024 and 2023.

Of the 5,000,000 authorized shares of preferred stock, the Company designated 800,000 shares as Series B Convertible Preferred Stock. There were nil shares of Series B Preferred Stock issued and outstanding as of December 31, 2024 and 2023. The Series B Preferred Stock will entitle the holders to cumulative dividends at the annual rate of 1.5% of the original issuance price, payable quarterly. Each share of Series B Preferred Stock will be convertible, at the option of the holder, into ten shares of common stock, subject to adjustment for stock splits, stock dividends, and similar transactions. The Company may, at its option at any time, redeem the Series B Preferred Stock. The Series B Preferred Stock will not entitle the holders to voting rights, except with respect to certain actions which will require the consent of the holders of 66 2/3% of the outstanding shares of Series B Preferred Stock, or as required by law.

Common Stock

The Company's authorized common stock consists of 100,000,000 shares, par value of $0.001. There were 76,553,694 shares issued and 75,974,022 shares outstanding as of December 31, 2024 and 65,304,780 shares issued and 64,725,108 shares outstanding as of December 31, 2023.

On September 3, 2024, Vuzix entered into a Securities Purchase Agreement ("SPA") with Quanta Computer Inc. ("Quanta"), for the sale by the Company to Quanta of (i) $10,000,000 of the Company's common stock, and (ii) up to $10,000,000 of the Company's newly created Series B Convertible Preferred Stock.

The first closing under the SPA, for the sale of $10,000,000 of the Company's common stock at a purchase price of $1.30 per share, occurred on September 13, 2024.

The second closing under the SPA, for the sale of $5,000,000 of the Company's Series B Preferred Stock, at a purchase price per share equal to the higher of (a) $13.00 or (b) ten times the volume-weighted average sale price of the common stock for the thirty trading days before the date on which the conditions for the second closing are met, will occur fifteen business days after the day on which closing conditions for such closing are met or waived, or such other date as may be agreed to between the Company and Quanta. The second closing will be subject to, among other closing conditions, the Waveguide Plate Production Capacity Rate (as defined under the SPA) at the Company's Rochester, New York waveguide manufacturing plant being reasonably demonstrated to reach certain production levels and yields based on a Sampled run-rate basis (as defined in the SPA).

The third closing under the SPA, for the sale of $5,000,000 of the Company's Series B Preferred Stock, at a purchase price per share equal to the higher of (a) $13.00 or (b) ten times the volume-weighted average sale price of the common stock for the thirty trading days before the date on which the conditions for the third closing are met, will occur fifteen business days after the day on which closing conditions for such closing are met or waived, or such other date as may be agreed to between the Company and Quanta. The third closing will be subject to, among other closing conditions, the Waveguide Plate Production Capacity Rate at the Company's Rochester, New York waveguide manufacturing plant being reasonably demonstrated to reach certain production levels and yields based on a Sampled run-rate basis. The Company evaluated the provisions of the agreement and concluded that the second and third tranche obligations are not free-standing instruments and do not require bifurcation from the host.

The SPA may be terminated by either party if the second closing has not occurred by September 3, 2025 or within 12 months from the date of the Purchase Agreement, or if the third closing has not occurred by March 3, 2026 or within 18 months from the date of the Purchase Agreement.

The Company expects to use up to 15% of the net proceeds under the SPA for collaboration on Consumer and Enterprise new generation product development associated with smart glasses for each party's needs and third-party consumers utilizing waveguides of the Company over the term of the SPA.

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. 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 782,500 up to a maximum of 1,271,564 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.

In connection with the Atomistic Agreements, on August 12, 2024, the Company issued a total of 174,688 shares of common stock at a fair market value of $1.04 per share (closing price on August 9, 2024) or $181,675 to the Founders of Atomistic SAS ("Atomistic") for the achievement of certain technological milestones. This issuance was recorded as an additional impairment charge related to the Atomistic equity investment in the third quarter of 2024.

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.

The Company decided to cease further funding of development activities with Atomistic SAS ("Atomistic") under the license agreement, dated December 16, 2022, among the Company, Atomistic, and Atomistic's two principals (the "License Agreement"). The Company's decision gave Atomistic the right under the License Agreement to terminate the Granted License (as defined under the License Agreement), which right Atomistic exercised on July 1, 2024.

ATM Program

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

In the fourth quarter of 2024, the Company sold 2,259,431 shares of common stock for gross proceeds of $8,432,448 (average of $3.73 per share), before deducting broker expenses paid by the Company of $252,973 pursuant ot the terms of the ATM offering.

In the first quarter of 2025, the Company sold 243,541 shares of common stock for gross proceeds of $1,301,288 (average of $5.34 per share) before deducting broker expenses paid by the Company of $39,039 pursuant to the terms of the ATM offering. The net proceeds from the sale of common shares are being used for general corporate purposes, including working capital.

Note 12 — Stock-Based Compensation

The Company has the following Stock Option Plans (“Plans”) that allow for the grants of both incentive stock options or ISOs, which can result in potentially favorable tax treatment to the participant, and non-statutory stock options. The Company’s 2023 Equity Incentive Plan (the “2023 Plan”) was approved by the stockholders of the Company on June 15, 2023. The Company no longer issues any options under its prior 2014 Plan. The 2023 Plan no longer contains an “evergreen provision”. As of December 31, 2023, the authorized shares of common stock under the 2023 Plan, as amended, were 12,641,637.

The exercise price per share subject to an option is determined by the administrator, but in the case of an ISO must not be less than the fair market value of a share of our common stock on the date of grant and in the case of a non-statutory stock option must not be less than 100% of the fair market value of a share of our common stock on the date of grant.

Under the 2023 Plan, the Company may grant stock options, stock appreciation rights, performance awards of stock and/or cash, and stock awards of restricted stock.

Options issued or outstanding under the Stock Options Plans are as follows:

	2014 Plan	2023 Plan	Total
Outstanding or Exercised as of December 31, 2022	11,168,061	—	11,168,061
Available for future issuance under plan	1,495,760	—	1,495,760
Total authorized by plan	12,663,821	—	12,663,821
Outstanding or Exercised as of December 31, 2023	—	8,791,833	8,791,833
Available for future issuance under plan	—	3,849,804	3,849,804
Totals authorized by plan	—	12,641,637	12,641,637
Outstanding or Exercised as of December 31, 2024	—	11,609,900	11,609,900
Available for future issuance under plan	—	1,031,737	1,031,737
Totals authorized by plan	—	12,641,637	12,641,637

The 2023 Plan gives the Board of Directors of the Company the ability to determine vesting periods for all stock incentives granted under the 2023 Plan and allows option terms to be up to ten years from the original grant date. Employees’ incentive stock options typically vest at a minimum rate of 25% per year over a four-year period, commencing on the date of grant.

The following table summarizes stock option activity related to the Company's standard employee incentive plan, excluding options awarded under the Long-term Incentive Plan (LTIP), for the years ended December 31, 2024, 2023, and 2022:

	Number of Options	Weighted Average Exercise Price	Average Remaining Life (years)
Outstanding at December 31, 2021	2,823,634	$ 7.67	7.95
Granted	442,000	5.45	
Exercised	(145,185)	2.56	
Expired or Forfeited	(314,776)	9.27	
Outstanding at December 31, 2022	2,805,673	$ 7.80	7.28
Granted	180,000	4.43	
Exercised	(28,240)	1.33	
Expired or Forfeited	(46,125)	11.33	
Outstanding at December 31, 2023	2,911,308	$ 7.60	6.30
Granted	2,804,739	1.33	
Exercised	(152,273)	1.43	
Expired or Forfeited	(954,587)	6.40	
Outstanding at December 31, 2024	4,609,187	$ 4.25	7.84

As of December 31, 2024, there were 1,812,818 options that were fully-vested and exercisable at a weighted average exercise price of $8.01 per share. The weighted average remaining contractual term on the vested options is 5.7 years. The unvested balance of 2,796,369 options as of December 31, 2024, are exercisable at a weighted average exercise price of $2.07 per share. The weighted average remaining contractual term on the unvested options is 9.4 years.

As of December 31, 2023, there were 2,093,850 options that were fully-vested and exercisable at a weighted average exercise price of $7.18 per share. The weighted average remaining contractual term on the vested options is 5.6 years. The unvested balance of 817,458 options as of December 31, 2023 were exercisable at a weighted average exercise price of $8.65 per share. The weighted average remaining contractual term on the vested options was 8.11 years.

As of December 31, 2022, there were 1,493,707 options that were fully-vested and exercisable at a weighted average exercise price of $6.88 per share. The weighted average remaining contractual term on the vested options is 6.3 years. The unvested balance of 1,311,966 options as of December 31, 2022, are exercisable at a weighted average exercise price of $8.83 per share. The weighted average remaining contractual term on the unvested options is 8.4 years.

The aggregate intrinsic value of the options exercised during the year ended December 31, 2024, 2023, and 2022 was approximately $333,091, $85,263 and $627,876, respectively. The aggregate intrinsic value of the options outstanding as of December 31, 2024, 2023, and 2022 was approximately $9,801,292, $563,874 and $2,093,164, respectively.

The Black-Scholes-Merton option pricing model was used to estimate the fair value of share-based awards under FASB ASC Topic 718. The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and share price volatility. The expected term of options granted was estimated to be the average of the vesting term, historical exercise and forfeiture rates, and the contractual life of the option. The share price volatility at the grant date is estimated using historical stock prices based upon the expected term of the options granted. The risk-free interest rate assumption is determined using the rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued. We have never paid cash dividends on our common stock and do not anticipate paying cash dividends on our common stock in the foreseeable future. Therefore, the assumed expected dividend yield is zero.

The following summary table shows the assumptions used to compute the fair value of stock options granted, excluding LTIP, during 2024, 2023, and 2022 and their estimated value:

December 31,	2024	2023	2022
Assumptions for Black-Scholes:			
Expected term in years	5.3 to 5.8	6.0 to 6.1	6.1
Volatility	90.47% to 92.90 %	86.97% to 88.42 %	85.44% to 87.09 %
Risk-free interest rate	4.01% to 4.64 %	3.58% to 4.43 %	2.18% to 3.95 %
Expected annual dividends	None	None	None
Value of options granted:			
Number of options granted	2,804,739	180,000	442,000
Weighted average fair value per share	$ 1.00	$ 3.34	$ 4.04
Fair value of options granted	$ 2,790,737	$ 600,345	$ 1,783,710

Under FASB ASC Topic 718, "Compensation – Stock Compensation", the Company has elected to account for forfeitures as they occur.

Unrecognized stock-based compensation expense was $2,059,376 as of December 31, 2024, relating to a total of 2,796,369 unvested stock options under the Company's stock option plans. This stock-based compensation expense is expected to be recognized over a weighted average period of approximately 1 year.

During the year ended December 31, 2024, the Company issued 232,766 shares of common stock to its independent board members as part of their annual retainer for services covering the period of July 2024 to June 2025 and for the onboarding of the new director. The fair market value on the date of award of the stock issued was $1.41, resulting in an aggregate fair value of approximately $328,200. The fair market value of these awards is expensed over twelve (12) months for 212,766 shares and twenty-four (24) months for 20,000 shares beginning on July 1, 2024.

On May 6, 2024, the Company implemented a voluntary Company-wide payroll reduction program for all employees, independent board members and contractors with optional salary or compensation reductions of 10% to 50% depending upon the respective base salary or compensation level for the period running from May 1, 2024 to April 30, 2025. 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 824,711 stock awards and 2,756,116 stock option awards were issued. The total fair market value of the stock awards is $1,096,865 and the stock option awards is $2,728,555. The fair market value of these awards is being expensed over twelve (12) months, which began on May 1, 2024 and will cliff vest on April 30, 2025.

The estimated cash savings will be approximately $2,100,000 and resulted in the issuance of stock awards and stock options, at a rate of 150% or 200%, respectively, of the net cash wage reductions.

For the years ended December 31, 2024, 2023, and 2022, the Company recorded total stock-based compensation expense, including stock awards but excluding awards under the Company's LTIP of $5,928,198, $4,566,253, and $4,645,026, 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 years ended December 31, 2024, 2023, and 2022, the Company recorded non-cash stock-based compensation expense of $5,637,176, $8,352,700, and $11,130,527, respectively, for options that vested or are probable to vest.

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 December 31, 2024, we had $3,220,055 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. 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 December 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 $33.7 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 December 31, 2024, there are 2,679,750 unvested options 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 (Subject to Vesting)	Equity Market Capitalization Target	Last Twelve Months Revenue Target	Last Twelve Months EBITDA 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 — Right-of-Use Assets and Liabilities

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. 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 our operating leases totaled $725,913, $828,007 and $659,045 for the years ended December 31, 2024, 2023, and 2022, respectively.

Certain leases provide for increases in future minimum annual rental payments as defined in the lease agreements. The leases generally also include real estate taxes and common area maintenance charges in the annual rental payments. Short-term leases are leases having a term of twelve (12) months or less. The Company recognizes short-term leases on an as-incurred basis and does not record a related lease asset or liability for such leases.

As none of our leases provide an implicit interest rate, we use our incremental borrowing rate to determine our discount rate at lease inception based upon the information available at commencement in determining the present value of lease payments. As of December 31, 2024, the weighted average discount rate was 7.1% and the weighted average remaining lease term was 0.9 years. As of December 31, 2023, the weighted average discount rate was 8.3% and the weighted average remaining lease term was 1.9 years.

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

Future Lease Payments 2025	$ 511,980
Less: Imputed Interest	(17,744)
Total Lease Liability Balance	$ 494,236

Note 15 — Employee Benefit Plans

The Company has a Section 401(k) Savings Plan which covers employees who meet certain age and length of service requirements. Effective July 1, 2018, the Company's Plan was amended to include a 100% match by the Company on all eligible employee salary deferrals. The Company's matching contribution is limited to 3% of covered employee's annual salary. Total 401(k) matching expense for the years ended December 31, 2024, 2023, and 2022 totaled $283,614, $332,717, and $262,726, respectively.

Note 16 — Litigation

We are not currently involved in any actual or pending legal proceedings or litigation that 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 17 — Geographic and Other Financial Information (Unaudited)

Geographic Financial Information (Unaudited)

Geographical revenue information, based on ship-to destination of the customers for the three years ended December 31, 2024, 2023, and 2022 is as follows (in thousands):

By Continent and Region:

	Fiscal Year					
	2024		2023		2022	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
North America	$ 3,625	63 %	$ 6,335	52 %	$ 4,738	40 %
Europe	1,329	23 %	727	6 %	3,532	30 %
Asia-Pacific	564	10 %	4,656	38 %	3,411	29 %
Others	237	4 %	411	3 %	155	1 %
Total Revenues	$ 5,755	100 %	$ 12,129	100 %	$ 11,836	100 %

By Country:

	Fiscal Year					
	2024		2023		2022	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
U.S.	$ 3,227	56 %	$ 6,213	51 %	$ 4,592	39 %
France	430	8 %	—	— %	1,508	13 %
Japan	354	6 %	4,449	37 %	1,735	15 %
Others	1,744	30 %	1,467	12 %	4,001	33 %
Total Revenues	$ 5,755	100 %	$ 12,129	100 %	$ 11,836	100 %

Countries listed in the above table were those with revenues greater than 10% for the year ended December 31, 2024. The Company does not maintain significant amounts of long-lived assets outside of the United States.

Note 18 — Quarterly Financial Information (Unaudited)

The following table summarizes our unaudited quarterly financial information for the periods shown below (in thousands, except per share data):

	Fiscal Year 2024			
	December 31,	September 30,	June 30,	March 31,
Revenue	$ 1,272	$ 1,386	$ 1,093	$ 2,004
Gross profit (loss)	(4,954)	(260)	(333)	(53)
Net loss	(13,656)	(9,222)	(40,612)	(10,048)
Net loss per share, basic and diluted	(0.16)	(0.14)	(0.62)	(0.16)

	Fiscal Year 2023			
	December 31,	September 30,	June 30,	March 31,
Revenue	$ 1,067	$ 2,180	$ 4,691	$ 4,191
Gross profit (loss)	(4,245)	(238)	972	876
Net loss	(19,880)	(10,983)	(9,045)	(10,241)
Net loss per share, basic and diluted	(0.32)	(0.17)	(0.14)	(0.16)

	Fiscal Year 2022			
	December 31,	September 30,	June 30,	March 31,
Revenue	$ 2,898	$ 3,427	$ 3,008	$ 2,503
Gross profit (loss)	(126)	868	262	479
Net loss	(10,759)	(9,477)	(10,022)	(10,506)
Net loss per share, basic and diluted	(0.17)	(0.15)	(0.16)	(0.16)

Exhibit Index

3.1(1)	Amended and Restated Certificate of Incorporation
3.2(11)	Amended and Restated Bylaws
3.3(2)	Amendment to Amended and Restated Certificate of Incorporation
3.4(3)	Amendment to Amended and Restated Certificate of Incorporation
3.5(4)	Certificate of Designation of Series A Preferred Stock
3.6(13)	Certificate of Designation of Series B Preferred Stock
4.1 (9)	Description of the Registrant's Securities
10.1(5)**	Form of Indemnification Agreement by and between the registrant and each director and executive officer
10.2(5)**	Employment Agreement dated as of August 1, 2007 by and between the registrant and Paul Travers
10.3(5)**	Employment Agreement dated as of August 1, 2007 by and between the registrant and Grant Russell
10.4(6)	Shared Services Agreement, dated as of June 15, 2012, by and between Vuzix Corporation and TDG Acquisition Company LLC
10.5(6)	Reseller Agreement, dated as June 15, 2012, by and between Vuzix Corporation and TDG Acquisition Company LLC.
10.6(6)	Restrictive Covenants Agreement, dated as June 15, 2012, by and between Paul Travers and TDG Acquisition Company LLC
10.7(7)	2014 Equity Incentive Plan
10.9 (10) †	Amendment No. 1 to agreements with TDG Acquisition Company, LLC
10.10 (12)* #	License Agreement, dated December 16, 2022
10.11 (12)* #	Stock Purchase Agreement, dated December 16, 2022
10.12 (12)* #	Shareholders Agreement, dated December 16, 2022
10.13(13)	Securities Purchase Agreement, dated September 3, 2024
10.14(13)	Registration Rights Agreement, dated September 3, 2024
14.1(8)	Code of Ethics
19*	Insider Trading Policy
21.1*	Subsidiaries
23.1*	Consent of Freed Maxick P.C. (f/k/a Freed Maxick CPAs, P.C.)
31.1*	Certification of CEO as required by Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2*	Certification of CFO as required by Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1***	Section 1350 CEO Certification
32.2***	Section 1350 CFO Certification
97	Clawback policy (previously filed as Exhibit 97 to the Registrant's Form 10-K filed with the SEC on April 15, 2024 (Commission File Number: 001-35955), and incorporated herein by reference).
101*	The following materials, formatted in inline XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements, tagged as blocks of text
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

† Confidential treatment granted as to certain portion
* Filed herewith.
** Indicates management contract or compensatory arrangement.
*** Furnished herewith.

Portions of this agreement have been omitted.

(1) Filed as an exhibit to Amendment No. 3 to the Registration Statement on Form S-1 filed October 16, 2009 and incorporated herein by reference.

(2) Filed as an exhibit to the Current Report on Form 8-K filed February 7, 2013 and incorporated herein by reference.

(3) Filed as an exhibit to the Current Report on Form 8-K filed June 30, 2014 and incorporated herein by reference.

(4) Filed as an exhibit to the Current Report on Form 8-K filed January 2, 2015 and incorporated herein by reference.

(5) Filed as an exhibit to the S-1 filed July 2, 2009 and incorporated herein by reference.

(6) Filed as an exhibit to the Current Report on Form 8-K filed June 21, 2012 and incorporated herein by reference.

(7) Filed with Definitive Proxy Statement on April 30, 2014 and incorporated herein by reference.

(8) Filed as exhibit to 10-K filed March 30, 2016 and incorporated herein by reference.

(9) Filed as exhibit to Form 10-K filed March 16, 2020 and incorporated herein by reference.

(10) Filed as exhibit to Form 8-K filed October 10, 2018 and incorporated herein by reference.

(11) Filed as exhibit to Form 8-K filed April 30, 2021 and incorporated herein by reference.

(12) Filed as exhibit to Form 10-K filed March 1, 2023 and incorporated herein by reference.

(13) Filed as exhibit to Form 8-K filed September 3, 2024 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 13th day of March, 2025.

VUZIX CORPORATION

/s/ Paul Travers
Paul Travers
Chief Executive Officer

POWER OF ATTORNEY

KNOW BY ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints jointly and severally, Paul Travers and Grant Russell, and each one of them, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Paul Travers Paul Travers	President, Chief Executive Officer and Director *(Principal Executive Officer)*	March 13, 2025
/s/ Grant Russell Grant Russell	Chief Financial Officer, Executive Vice-President and Director *(Principal Financial and Accounting Officer)*	March 13, 2025
/s/ Edward Kay Edward Kay	Director	March 13, 2025
/s/ Timothy Harned Timothy Harned	Director	March 13, 2025
/s/ Paula Whitten-Doolin Paula Whitten-Doolin	Director	March 13, 2025

Exhibit 19

INSIDER TRADING POLICY

Approved by the Board of Directors on November 3, 2022

Purpose

U.S. federal and state and Canadian provincial securities laws prohibit buying, selling, or making other transfers of securities by persons who have material information that is not generally known or available to the public. These laws also prohibit persons with material nonpublic information from disclosing this information to others who may trade. These illegal activities are commonly referred to as "insider trading." The penalties for violations of these laws may be severe.

Vuzix Corporation (together with its subsidiaries, the "Company") has adopted this policy to establish guidelines for the Company's employees, officers, directors, consultants and contractors with respect to transactions in the Company's securities. The objective of the policy is to help prevent any actual or apparent impropriety, either of which could lead to allegations of insider trading and the potential for significant liability on the part of any implicated parties. This policy does not replace your responsibility to understand and comply with insider trading laws. Because insider trading laws are technical, and changes and new interpretations are frequent, this policy should not be relied upon in any particular instance.

Compliance with this policy is of the utmost importance to you and the Company. If you have any questions about any of the matters discussed in this policy or a particular transaction, please contact our Chief Executive Officer or Chief Financial Officer, who have been designated as the Company's Insider Trading Compliance Officers. Advice from the Insider Trading Compliance Officers should not be regarded as investment advice or as a guarantee that your transaction will not violate insider trading laws. You are ultimately responsible for compliance with the policy and all applicable law.

The Company takes its obligations under the securities laws very seriously, and any violation or suspected violation of this or any other Company policy could subject you to disciplinary action, including ineligibility for future participation in the Company's equity incentive plans or termination of your employment for cause.

Definitions

For purposes of this policy:

"Insiders" means the Company's directors, officers, employees, consultants, distributors, sales persons, agents or other people who receive or have access to Material Nonpublic Information regarding Company and members of their immediate families or households.

"Nonpublic Information" refers to any information that has not been disclosed to the general public. Nonpublic information will be deemed to be public at the end of the second complete trading day following the date when the information is disclosed by the Company in a manner making it generally available to investors through a press release or a filing with the U.S. Securities and Exchange Commission (the "SEC") and the applicable Canadian provincial securities commissions. The circulation of rumors, even if accurate and reported in the media, does not constitute effective public disclosure of information, unless and until publicly confirmed or denied by the Company.

Information is deemed "Material" if there is a reasonable likelihood that it would be considered important to an investor in making a decision regarding the purchase or sale of securities. Both positive and negative information can be Material. Following are examples of information which can be deemed Material:

- financial results;
- projections of future earnings or losses or other earnings guidance;
- significant product or service announcements;
- significant developments with regard to patents or other intellectual property;
- significant developments involving corporate relationships (for example, significant contracts, distributor relationships);
- new equity or debt offerings;
- proposed changes in corporate structure including mergers and reorganizations;
- proposed dispositions or acquisitions of significant assets;
- proposed changes in capital structure including stock splits and stock dividends;
- changes in dividend policy;
- significant litigation exposure due to actual or threatened litigation, or material developments with respect to any such actions;
- impending financial liquidity problems or bankruptcy; and
- changes in senior management.

The foregoing examples are not exhaustive. Insiders should err on the side of caution in determining whether information that they possess is Material and, if there is any doubt, consult with one of the Insider Trading Compliance Officers.

"Reporting Insiders" means directors, officers and key employees who are required to report their securities transactions to the SEC and/or applicable Canadian provincial securities commissions in accordance with United States or Canadian securities laws.

"Securities" means the Company's common stock and any other class of stock, bonds or other evidences of indebtedness and all "derivative" securities, such as put and call options. By way of example, during a period when a person is restricted from trading in the Company's securities, that person is restricted not only from buying or selling the Company's common stock but also from buying or selling "put" or "call" options on the Company's common stock as well.

"Trading day" means a day on which the TSX Venture Exchange and any other stock exchange on which the Company's securities are then traded are open for trading.

Specific Policies

No Trading on Material Nonpublic Information

No Insider may buy or sell the Company's securities while in possession of Material Nonpublic Information concerning the Company. Accordingly, Insiders should not engage in any purchases or sales of the Company's securities (including securities purchased prior to the Insider's employment or affiliation with the Company or in the open market) during any period beginning on the date he or she first possesses Material Nonpublic Information concerning the Company and ending at the end of the second complete trading day following the date when the information is publicly disclosed.

Business Partners

No Insider may buy or sell securities of any other company, including, without limitation, any of the Company's customers, vendors or suppliers and any other company with which the Company does business, at any time when the Insider has Material Nonpublic Information about that company and that information has been obtained by the Insider in the course of performing services on behalf of the Company.

Blackout Period

The period beginning at the close of market on the fifteenth day of the third month of each fiscal quarter and ending at the beginning of the third trading day following the date of public disclosure of the financial results for that quarter is a particularly sensitive period of time for transactions in the Company's securities from the perspective of compliance with applicable securities laws. This sensitivity is due to the fact that Reporting Insiders and certain employees will, during that period, often possess Material Nonpublic Information about the expected financial results for the quarter or year during that period. Accordingly, this period of time is referred to as a "blackout" period. All Reporting Insiders and those other employees identified by the Company's Corporate Disclosure Committee (the "Disclosure Committee") from time to time and who have been notified that they have been so identified are prohibited from trading during any blackout period.

Trading Window

To ensure compliance with this policy and applicable securities laws, the Company requires all Reporting Insiders and those certain identified employees of the Company refrain from conducting transactions involving the purchase or sale of the Company's securities other than during the period (the "trading window") commencing at the open of market on the third trading day following the date of public disclosure of the financial results for a particular fiscal quarter or year and continuing until the close of market on the 15th day of the third calendar month of the next fiscal quarter. The prohibition against trading during the blackout period encompasses the fulfillment of "limit orders" by any broker for a director, officer or employee, as applicable, and the brokers with whom any such limit order is placed must be so instructed at the time it is placed.

Trading in the Company's securities during the trading window should NOT be considered a "safe harbor" and all Reporting Insiders and those other identified employees of the Company must obtain preclearance of any trades and, in addition, should use good judgment at all times when trading Company stock.

Pre-Clearance Process

In order to avoid any appearance of impropriety, all Reporting Insiders and those certain identified employees of the Company are required to clear, in advance, any trading of the Company's securities with an Insider Trading Compliance Officer in order to confirm there is no Material information (favorable or unfavorable) concerning the Company that has not been publicly disclosed. This pre-clearance requirement applies throughout each trading window. All Reporting Insiders and those certain identified employees of the Company, even those who believe they are unaware of any Material Nonpublic Information, must comply with this pre- clearance requirement. Unless otherwise stated, clearance is effective only on the day on which the Insider is informed by an Insider Trading Compliance Officer that a trade may be affected. The Company may also impose a special pre-clearance requirement on other Insiders from time to time as a result of special circumstances. This special pre-clearance requirement may apply to all Insiders or certain Insiders. The Company will notify affected Insiders of the imposition of a special pre-clearance requirement and its duration, if known (affected Insiders will be notified when the pre-clearance requirement is lifted, if the duration was not stated at the outset).

Event-Specific Blackout Periods

From time to time during a trading window, an event may occur (or may have the potential to occur) or information may become available that is material to the Company and is known by only a few officers or directors of the Company. In such cases, the Disclosure Committee will determine whether to impose an event-specific blackout applicable to specific Insiders. If an event-specific blackout period is declared, those Insiders to which it applies will be notified and they may not trade in the Company's securities until notified by the Disclosure Committee that event-specific blackout has concluded. The Company will notify affected Insiders of the imposition of an event-specific blackout and its duration, if known (affected Insiders will be notified when the event-specific blackout has ended, if the duration was not stated at the outset). The Company may notify affected Insiders of the existence of an event-specific blackout period without disclosing the reason for the blackout. Any person made aware of the existence of an event-specific blackout must not disclose the existence of the blackout to any other person, even within the Company.

The fact that the Company may impose event-specific blackout periods does not change the fact that Insiders are prohibited from trading while in possession of Material Nonpublic Information, regardless of whether they have been designated as being subject to an event-specific blackout.

Tipping

No Insider may disclose ("tip") Material Nonpublic Information to any other person (including family members) where such information might be used by such person in connection with the trading in the securities of companies to which such information relates, nor shall such Insider or related person make recommendation or express opinions on the basis of Material Nonpublic Information as to trading in the Company's securities. If a person is in possession of Material Nonpublic Information, it will be presumed that any recommendation will have been made in whole or in part on the basis of such information.

No Speculating

Investing in the Company's securities provides an opportunity to share in its future growth. Investment in the Company and sharing in its growth, however, are inconsistent with speculation based on short-term fluctuations in the market price of the Company's securities. Such activities may put the personal gain of an Insider in conflict with the interests of the Company and its stockholders. Consequently, no Insider may trade in options, warrants, puts and calls or similar derivative instruments based on the Company's securities or buy the Company's securities with the intention of quickly reselling them or sell the Company's securities "short." Any sale by an Insider of the Company's securities that have not been held for investment for a period of at least 90 days shall be deemed to be speculative for the purpose of this paragraph. In addition, Insiders may not buy the Company's securities on margin. Insiders may, of course, exercise stock options granted to them by the Company (including pursuant to a "cashless exercise" of stock options) and, subject to the restrictions discussed in this Policy, sell shares acquired through the exercise of such options.

Hedging

No Reporting Insider may engage in hedging transactions involving Company securities, including forward sale or purchase contracts, equity swaps, collars or exchange funds. Such transactions are speculative in nature and therefore create the appearance that the transaction is based on nonpublic information.

Trading on Margin or Pledging

No Reporting Insider may hold Company securities in a margin account or directly pledge (or hypothecate) Company securities as collateral for a loan. Margin sales or foreclosure sales may occur at a time when the Insider is aware of material nonpublic information or otherwise is not permitted to trade in Company securities.

Confidentiality

It is the duty of each Insider to maintain the confidentiality of all Material Nonpublic Information that such person receives or becomes privy to in connection with the Company's business until after the information has been disclosed to the public in accordance with the Company's continuous disclosure practices and applicable securities laws. In order to prevent the misuse or inadvertent disclosure of Material Nonpublic Information, Insiders should take appropriate precautions to maintain the confidentiality of such information, including the following:

- documents and files containing confidential information should be kept in a safe place to which access is restricted to individuals who "need to know" that information in the necessary course of business;
- confidential matters should not be discussed in places where the discussion may be overheard by unauthorized persons, such as elevators, hallways, restaurants, airplanes or taxis;
- confidential documents should not be read or displayed in public places and should not be discarded where others can retrieve them;
- Insiders must ensure that they maintain the confidentiality of information in their possession outside the office as well as inside the office;
- transmission of documents by electronic means, such as by email or fax, should be made only where it is reasonable to believe that the transmission can be made and received under secure conditions;
- posting information about the Company on an internet chat room, bulletin board or other message site, or actively participating in such communications about the Company is prohibited;
- unnecessary copying of confidential documents should be avoided, and documents containing confidential information should be promptly removed from conference rooms and work areas after meetings have concluded; extra copies of confidential documents should be destroyed;
- documents that contain confidential information should bear a legend or other appropriate marking to advise readers of the confidential nature of the information contained therein; and
- access to confidential electronic data should be restricted through the use of passwords.

The foregoing examples are not exhaustive. An Insider who has a question about maintaining the confidentiality of Material Nonpublic Information should contact a member of the Disclosure Committee, which is responsible for coordinating and overseeing the release of such information in compliance with applicable laws and regulations.

Insider Reporting and Compliance with Resale Restrictions

Under applicable U.S. and Canadian securities laws, Reporting Insiders are required to report, within 2 business days, when they engage in transactions involving the Company's securities, including "equity monetization" and similar transactions, whether such transactions are effected in Canada, the United States or elsewhere. In addition, Reporting Insiders who sell the Company's securities in the United States must comply with the volume, manner of sale and notice requirements of Rule 144 under the U.S. Securities Act of 1933. Reporting Insiders who are considered "affiliates" of the Company under U.S. securities laws by virtue of reasons other than being a director or officer (e.g., the Reporting Issuer is also a significant shareholder) must comply with additional requirements under U.S. federal securities laws in connection with sales of the Company securities, even if such sales are effected outside the United States, and should consult legal counsel in advance of such sales. Insiders who have questions about their reporting obligations or resale restrictions under applicable securities laws should seek guidance from an Insider Trading Compliance Officer. While the Company may assist a Reporting Insider to file required reports and forms and to comply with applicable resale restrictions, the Reporting Insider has the ultimate responsibility for complying with applicable securities laws in connection with their sale or purchase of the Company's securities.

Exceptions

For purposes of this policy, the Company considers that the exercise of stock options for cash under the Company's stock option plans (but (1) *not* the sale of any shares issued upon such exercise and (2) *not* a cashless exercise (accomplished by a sale of a portion of the shares issued upon exercise of an option)) are exempt from this policy, since the other party to these transactions is the Company itself and the price does not vary with the market, but is fixed by the terms of the plan. In addition, the Company considers that *bona fide* gifts of the securities of the Company are exempt from this policy. Any other exceptions to this policy must be approved by an Insider Trading Compliance Officer.

SEC Rule 10b5-1

The SEC has adopted rules allowing trading by Insiders during Blackout Periods in certain circumstances. Under Rule 10b5-1, if a person enters into a binding contract, an instruction or a written plan that specifies the dates, prices and amounts of the contemplated trades or establishes a formula for determining such dates, prices and amounts of which securities are to be purchased or sold, then that person can claim a defense to insider trading liability if the transaction under the trading plan occurs when that person is in possession of Material Nonpublic Information that he or she learned after entering into the contract, instruction or plan. An Insider may enter into a Rule 10b5-1 Trading Plan only when he or she is not in possession of Material Nonpublic Information. No Insider may enter into any Rule 10b5-1 Trading Plan that has not been reviewed and approved in writing by an Insider Trading Compliance Officer.

Please note the Company cannot guarantee, and makes no representation, that contracts, instructions or plans intended or designed to take advantage of Rule 10b5-1 will prevent civil or criminal liability under state or federal insider trading laws. Rule 10b5-1 purports to protect Insiders from federal insider trading liability when purchases and sales are made pursuant to contracts, instructions or plans that comply with such rule. Some state and local jurisdictions do not provide such protection, even though the protection may be available at the U.S. federal level. Persons electing to purchase or sell securities pursuant to these plans do so at their own risk.

Potential Criminal and Civil Liability or Disciplinary Action

Liability for Insider Trading

Pursuant to U.S. federal and state securities laws and applicable Canadian securities laws, Insiders may be subject to criminal and civil fines and penalties, as well as imprisonment, for engaging in transactions in the Company's securities at a time when they have knowledge of Material Nonpublic Information regarding the Company.

Liability for Tipping

Insiders may also be liable for improper transactions by any person to whom they have disclosed Material Nonpublic Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company's securities. The securities regulators have imposed large penalties even when the disclosing person did not profit from the trading. The securities regulators, the stock exchanges and securities dealers associations use sophisticated electronic surveillance techniques to uncover insider trading.

Penalties

Both the Insider and a person receiving a tip may face severe penalties. Civil fines of up to three times the profit made or loss avoided may be imposed. Criminal fines up to $5,000,000, regardless of profit, can be imposed. Imprisonment can range up to 20 years. In addition, if the Company and its supervisory personnel fail to take appropriate steps to prevent illegal insider trading by the Company employees, they may be subject to a civil fine of up to the greater of$1,000,000 or three times the profit or loss avoided as a result of the employee's violation and a criminal fine of up to $25,000,000.

Possible Disciplinary Actions

Employees of the Company who violate this policy shall also be subject to disciplinary action by the Company, which may include ineligibility for future participation in the Company's stock plans or termination of employment with the Company.

Other Restrictions

The matters contained in this policy are not the only restrictions on the purchase and sale of the Company's securities, and you should make yourself aware of any other restrictions or limitations that apply to you in connection with the purchase and sale of the Company's securities.

Caution

The policies and procedures set forth herein with respect to the trading of securities by Insiders present only a general framework within which you may purchase and sell the Company's securities without violating insider trading laws. You have the ultimate responsibility for complying with insider trading laws. You should therefore view this policy as the minimum criteria for compliance with insider trading laws.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-282438, 333-276997, 333-270311, 333-252673, 333-231932, 333-209304, and 333-202045) and on Form S-8 (No. 333-252959) of our report dated March 13, 2025, relating to the consolidated financial statements of Vuzix Corporation appearing in the Annual Report on Form 10-K for the year ended December 31, 2024.

/s/ Freed Maxick P.C. (f/ka Freed Maxick CPAs, P.C.)

Buffalo, New York
March 13, 2025

Exhibit 31.1

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

I, Paul Travers, certify that:

1. I have reviewed this Annual Report on Form 10-K 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.

/s/ Paul Travers
Paul Travers
Chief Executive Officer

Date: March 13, 2025

Exhibit 31.2

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

I, Grant Russell, certify that:

1. I have reviewed this Annual Report on Form 10-K 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.

/s/ Grant Russell
Grant Russell
Chief Financial Officer

Date: March 13, 2025

Exhibit 32.1

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

In connection with the Annual Report of Vuzix Corporation (“Vuzix”) on Form 10-K for the fiscal year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Paul Travers, 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
Chief Executive Officer

Date: March 13, 2025

Exhibit 32.2

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

In connection with the Annual Report of Vuzix Corporation ("Vuzix") on Form 10-K for the fiscal year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Grant Russell, 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
Chief Financial Officer

Date: March 13, 2025