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DELTA REPORT

10-Q

INNOVATIVE EYEWEAR INC

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

The following comparison report has been automatically generated

TOTAL DELTAS	1397
CHANGES	137
DELETIONS	718
ADDITIONS	542

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

FORM 10-Q

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

For the quarterly period ended September 30, 2023 March 31, 2024

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

For the transition period from __________ to __________

Commission file number 001-41392

INNOVATIVE EYEWEAR, INC.

(Exact name of registrant as specified in its charter)

Florida	**84-2794274 85-0734861**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11900 Biscayne Blvd., Suite 630, North Miami, Florida 33181

(Address of Principal Executive Offices, including zip code)

((786) 954) 785-5178 826-0329

(Registrant’s telephone number, including area code)

Not Applicable

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

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

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

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

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

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

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

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, $0.00001 par value	LUCY	The NasdaqNASDAQ Capital Market LLC
Warrants to purchase Common Stock	LUCYW	The NasdaqNASDAQ Capital Market LLC

As of November 8, 2023 May 8, 2024, there were 12,917,239 17,501,066 shares of the Company’s common stock issued and outstanding.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The discussions in this Quarterly Report on Form 10-Q contain forward-looking statements reflecting our current expectations that involve risks and uncertainties. These forward-looking statements include, but are not limited to, our strategy, competition, future operations and production capacity, our supply chain and logistics, future financial position, future revenues, projected costs, profitability, expected cost reductions, capital adequacy, expectations regarding demand and acceptance for our technologies, growth opportunities and trends in the market in which we operate, prospects and plans, and objectives of management. The words "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions, and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and in our other filings with the Securities and Exchange Commission. We do not assume any obligation to update any forward-looking statements. statements except as required by law.

INNOVATIVE EYEWEAR, INC.

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Unless specifically set forth to the contrary, when used in this report the terms "Innovative Eyewear," the "Company," "we," "our," "us," and similar terms refer to Innovative Eyewear, Inc. The information which appears on our website lucyd.co is not part of this report.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

INNOVATIVE EYEWEAR, INC.

CONDENSED BALANCE SHEETS

September 30, 2023 March 31, 2024 (Unaudited) and December 31, 2022 December 31, 2023

	2023	2022	2024	2023
TOTAL ASSETS				
Current Assets				
Cash and cash equivalents	$ 3,903,668	$ 3,591,109	$ 2,648,566	$ 4,287,447
Investments in debt securities, at amortized cost (fair value of $1,976,380)	1,949,204	-		
Accounts receivable, net of allowances of $19,712 and $92,646, respectively	127,619	110,258		
Accounts receivable, net of allowances of $21,437 and $25,772, respectively			52,779	93,211
Prepaid expenses	290,291	210,673	425,867	313,648
Inventory prepayment	402,255	197,750	59,407	323,520
Inventory	776,136	94,701	858,905	533,239
Due from Tekcapital and Affiliates			5,830	6,256
Other current assets	51,829	36,240	59,447	59,447
Total Current Assets	7,501,002	4,240,731	4,110,801	5,616,768
Non-Current Assets				
Patent costs, net	272,279	137,557	330,192	286,429
Capitalized software costs	110,073	110,073	110,073	110,073
Property and equipment, net	178,470	119,744	143,487	132,848
Other non-current assets	54,110	81,779	118,458	72,644
TOTAL ASSETS	**$ 8,115,934**	**$ 4,689,884**	**$ 4,813,011**	**$ 6,218,762**

LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	$ 185,951	$ 275,660	$ 840,992	$ 581,986
Deferred revenue	42,950	30,000	42,500	42,500
Due to Parent and Affiliates	202,279	232,989		
Related party convertible debt	-	61,356		
Total Current Liabilities	431,180	600,005	883,492	624,486
Non-Current Liabilities				
Deferred revenue	42,500	65,450	27,950	35,450
TOTAL LIABILITIES	**473,680**	**665,455**	**911,442**	**659,936**
Commitments and contingencies	-	-		
Commitments and contingencies (Note 7)			-	-
Stockholders' Equity				
Common stock (par value $0.00001, 50,000,000 shares authorized, and 12,917,239 and 7,307,157 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively)	129	73		
Common stock (par value $0.00001, 50,000,000 shares authorized, and 13,233,544 and 12,917,239 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively)			132	129
Additional paid-in capital	22,217,829	14,330,343	22,842,163	22,528,112
Accumulated deficit	(14,575,704)	(10,305,987)	(18,940,726)	(16,969,415)
TOTAL STOCKHOLDERS' EQUITY	7,642,254	4,024,429	3,901,569	5,558,826
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 8,115,934**	**$ 4,689,884**	**$ 4,813,011**	**$ 6,218,762**

See accompanying Notes to the Condensed Financial Statements.

INNOVATIVE EYEWEAR, INC.

CONDENSED STATEMENTS OF OPERATIONS

For the three and nine months ended September 30, 2023 March 31, 2024 and 2022

(Unaudited)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenues, net	$ 221,875	$ 151,957	$ 536,725	$ 592,720
Less: Cost of Goods Sold	(141,531)	(129,092)	(475,906)	(452,218)
Gross Profit	80,344	22,865	60,819	140,502
Operating Expenses:				
General and administrative	(915,537)	(479,983)	(2,877,663)	(1,797,091)
Sales and marketing	(533,902)	(568,901)	(896,842)	(1,545,615)
Research and development	(192,701)	(304,691)	(541,348)	(393,058)
Related party management fee	(35,000)	(35,000)	(105,000)	(105,000)
Total Operating Expenses	(1,677,140)	(1,388,575)	(4,420,853)	(3,840,764)
Other Income (Expense)	45,691	(735)	93,353	(3,293)
Interest Expense	-	(37,876)	(3,036)	(101,137)
Total Other Income (Expense), net	45,691	(38,611)	90,317	(104,430)
Net Loss	$ (1,551,105)	$ (1,404,321)	$ (4,269,717)	$ (3,804,692)
Weighted average number of shares outstanding	12,917,239	6,673,020	9,705,053	6,266,709
Loss per share, basic and diluted	$ (0.12)	$ (0.21)	$ (0.44)	$ (0.61)

See accompanying Notes to the Condensed Financial Statements.

INNOVATIVE EYEWEAR, INC.
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the three and nine months ended September 30, 2023 and 2022
(Unaudited)

	Common Stock		Additional Paid In Capital	Stock Subscription Receivable	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	# Shares	Amount				
Balances, January 1, 2023	**7,307,157**	**$ 73**	**$ 14,330,343**	**$ -**	**$ (10,305,987)**	**$ 4,024,429**
Stock based compensation	-	-	424,431	-	-	424,431
Exercises of warrants by stockholders (see Note 9)	408,600	4	1,532,246	-	-	1,532,250
Net loss	-	-	-	-	(1,430,810)	(1,430,810)
Balances, March 31, 2023	**7,715,757**	**$ 77**	**$ 16,287,020**	**$ -**	**$ (11,736,797)**	**$ 4,550,300**
Stock based compensation	-	-	(40,180)	-	-	(40,180)
Exercises of stock options	230,362	2	17,648	-	-	17,650
Exercises of warrants by stockholders (see Note 9)	321,120	3	1,204,197	-	-	1,204,200
Exercises of warrants related to private placement transaction (see Note 9)	150,000	2	391,266	-	-	391,268
Second public offering (see Note 9)	4,500,000	45	4,115,643	-	-	4,115,688
Net loss	-	-	-	-	(1,287,802)	(1,287,802)
Balances, June 30, 2023	**12,917,239**	**$ 129**	**$ 21,975,594**	**$ -**	**$ (13,024,599)**	**$ 8,951,124**
Stock based compensation	-	-	242,235	-	-	242,235
Net loss	-	-	-	-	(1,551,105)	(1,551,105)
Balances, September 30, 2023	**12,917,239**	**$ 129**	**$ 22,217,829**	**$ -**	**$ (14,575,704)**	**$ 7,642,254**
Balances, January 1, 2022	**6,060,187**	**$ 60**	**$ 4,842,836**	**$ (11,226)**	**$ (4,624,154)**	**$ 207,516**
Stock based compensation	-	-	416,951	-	-	416,951
Net loss	-	-	-	-	(1,206,559)	(1,206,559)
Balances, March 31, 2022	**6,060,187**	**$ 60**	**$ 5,259,787**	**$ (11,226)**	**$ (5,830,713)**	**$ (582,092)**
Stock based compensation	-	-	416,951	-	-	416,951
Collection of stock subscription receivable	-	-	-	6,684		6,684
Net loss	-	-	-	-	(1,193,812)	(1,193,812)
Balances, June 30, 2022	**6,060,187**	**$ 60**	**$ 5,676,738**	**$ (4,542)**	**$ (7,024,525)**	**$ (1,352,269)**
Stock based compensation	-	-	305,244	-	-	305,244
Shares issued for convertible note exercise	266,970	3	2,002,277	-	-	2,002,280
Initial public offering	980,000	10	6,015,908	-	-	6,015,918
Net loss	-	-	-	-	(1,404,321)	(1,404,321)
Balances, September 30, 2022	**7,307,157**	**$ 73**	**$ 14,000,167**	**$ (4,542)**	**$ (8,428,846)**	**$ 5,566,852**

See accompanying Notes to the Condensed Financial Statements.

INNOVATIVE EYEWEAR, INC.
CONDENSED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2023 and 20222023

(Unaudited)

	2023	2022
Operating Activities		
Net Loss	$ (4,269,717)	$ (3,804,692)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	20,030	7,060
Depreciation	45,996	12,566
Non cash interest expense	3,036	37,876
Stock based compensation expense	626,486	1,139,145
Expenses paid by parent and affiliates	222,459	828,155
(Recovery of) provision for doubtful accounts	(25,121)	-
Changes in operating assets and liabilities:		
Accounts receivable	7,760	(144,198)
Accounts payable and accrued expenses	(92,745)	345,498
Prepaid expenses	(79,618)	(247,802)
Inventory	(885,940)	(280,434)
Other current liabilities	(205,026)	-
Contract assets and liabilities	2,080	-
Net cash flows from operating activities	(4,630,320)	(2,106,826)
Investing Activities		
Purchase of debt securities (U.S. Treasury bills)	(1,949,204)	-
Patent costs	(154,752)	(39,942)
Purchases of property and equipment	(104,722)	(90,563)
Capitalized software expenditures	-	(24,923)
Net cash flows from investing activities	(2,208,678)	(155,428)
Financing Activities		
Proceeds from initial public offering	-	6,127,067
Proceeds from second public offering (see Note 9)	4,115,688	-
Proceeds from exercises of warrants related to private placement transaction (see Note 9)	391,268	-
Proceeds from exercise of warrants by stockholders (see Note 9)	2,736,450	-
Proceeds from exercise of stock options	17,650	-
Collection of stock subscription receivable	-	6,684
Proceeds from related party convertible debt	-	1,475,000
Repayment of related party convertible debt	(109,499)	(450,000)
Net cash flows from financing activities	7,151,557	7,158,751
Net Change In Cash	312,559	4,896,497
Cash at Beginning of Period	$ 3,591,109	$ 79,727
Cash at End of Period	$ 3,903,668	$ 4,976,224

Significant Non-Cash Transactions		
Expenses paid for by Parent reported as increase in Due to Parent and Affiliates and related party convertible debt	222,459	828,155
Issuance of shares from conversion of related party convertible debt	-	2,002,280

	Three Months Ended March 31,	
	2024	**2023**
Revenues, net	$ 383,471	$ 144,921
Less: Cost of Goods Sold	(376,520)	(134,630)
Gross Profit	6,951	10,291
Operating Expenses:		
General and administrative	(1,108,946)	(993,772)
Sales and marketing	(661,295)	(259,297)
Research and development	(216,301)	(151,169)
Related party management fee	(35,000)	(35,000)
Total Operating Expenses	(2,021,542)	(1,439,238)
Other Income (Expense)	43,280	76
Interest Expense	-	(1,939)
Total Other Income (Expense), net	43,280	(1,863)
Net Loss	$ (1,971,311)	$ (1,430,810)
Weighted average number of shares outstanding	12,952,106	7,569,115
Loss per share, basic and diluted	$ (0.15)	$ (0.19)

See accompanying Notes to the Condensed Financial Statements.

INNOVATIVE EYEWEAR, INC.

CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

For the three months ended March 31, 2024 and 2023

(Unaudited)

	Common Stock		**Additional Paid In**	Accumulated	**Total Stockholders'**
	Shares	**Amount**	**Capital**	**Deficit**	**Equity**
Balances as of January 1, 2024	**12,917,239**	**$ 129**	**$ 22,528,112**	**$ (16,969,415)**	**$ 5,558,826**
Issuance of shares to third party service provider	300,000	3	81,897	-	81,900

	Shares		Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Issuance of shares related to vesting of restricted share units	16,305		-		-	-
Stock-based compensation	-		-	232,154	-	232,154
Net loss	-		-	-	(1,971,311)	(1,971,311)
Balances as of March 31, 2024	**13,233,544**	**$**	**132**	**$ 22,842,163**	**$ (18,940,726)**	**$ 3,901,569**
Balances as of January 1, 2023	**7,307,157**	**$**	**73**	**$ 14,330,343**	**$ (10,305,987)**	**$ 4,024,429**
Stock-based compensation	-		-	424,431	-	424,431
Exercises of warrants by stockholders	408,600		4	1,532,246	-	1,532,250
Net loss	-		-	-	(1,430,810)	(1,430,810)
Balances as of March 31, 2023	**7,715,757**	**$**	**77**	**$ 16,287,020**	**$ (11,736,797)**	**$ 4,550,300**

See accompanying Notes to the Condensed Financial Statements.

INNOVATIVE EYEWEAR, INC.

CONDENSED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2024 and 2023

(Unaudited)

	2024	2023
Operating Activities		
Net Loss	$ (1,971,311)	$ (1,430,810)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	21,659	5,956
Amortization	7,814	10,307
Non-cash interest expense	-	1,939
Stock-based compensation expense	232,154	424,431
Expenses paid by Tekcapital and Affiliates	99,561	62,204
(Recovery of) provision for doubtful accounts	(4,891)	142
Changes in operating assets and liabilities:		
Accounts receivable	52,823	(17,526)
Accounts payable and accrued expenses	259,006	14,627
Prepaid expenses	(92,931)	25,360
Inventory	(61,553)	(450,633)
Other assets	(11,484)	(10,000)
Contract assets and liabilities	1,798	1,560
Net cash flows from operating activities	(1,467,355)	(1,362,443)
Investing Activities		
Loan made to Tekcapital Europe, Ltd. (see Note 6)	(767,940)	-
Repayment of amounts loaned to Tekcapital Europe, Ltd. (see Note 6)	756,277	-
Patent costs	(51,577)	(108,825)
Purchases of property and equipment	(32,298)	(28,135)
Net cash flows from investing activities	(95,538)	(136,960)

Financing Activities		
Proceeds from exercises of warrants	-	1,532,250
Repayment of related party convertible debt (see Note 6)	-	(109,499)
Repayment of amounts due to Tekcapital and Affiliates	(75,988)	(64,629)
Net cash flows from financing activities	(75,988)	1,358,122
Net Change In Cash	(1,638,881)	(141,281)
Cash at Beginning of Period	$ 4,287,447	$ 3,591,109
Cash at End of Period	$ 2,648,566	$ 3,449,828
Significant Non-Cash Transactions		
Expenses paid for by Tekcapital and Affiliates, reported as increase in Due to/from Tekcapital and Affiliates and related party convertible debt	99,561	62,204
Issuance of shares for prepayment to third party service provider	81,900	-

See accompanying Notes to the Condensed Financial Statements.

INNOVATIVE EYEWEAR, INC.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
March 31, 2024 and 2023 (Unaudited)

September 30, 2023 and 2022 (Unaudited)

NOTE 1 – GENERAL INFORMATION

Innovative Eyewear, Inc. (the "Company," "us," "we," or "our") is a corporation organized under the laws of the State of Florida that develops and sells cutting-edge eyeglasses and sunglasses, which are designed to allow our customers to remain connected to their digital lives, while also offering prescription eyewear and sun protection. The Company was founded by Lucyd Ltd. (the "Parent" or "Lucyd"), a portfolio company of Tekcapital Plc through Tekcapital Europe, Ltd. (collectively, the "Parent together with Lucyd Ltd., "Tekcapital and Affiliates"), which owned approximately 40% of our issued and outstanding shares of common stock and was our largest shareholder as of September 30, 2023 March 31, 2024. Innovative Eyewear has licensed the exclusive rights to the Lucyd® brand from Lucyd Ltd., which includes the exclusive use of all of Lucyd's intellectual property, including our main product, Lucyd Lyte® glasses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed balance sheet as of December 31, 2022 December 31, 2023 (which has been derived from audited financial statements) and the unaudited interim condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X promulgated by the United States Securities and Exchange Commission ("SEC"). Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows.

In the opinion of management, all adjustments considered necessary for the fair presentation of the financial statements for the periods presented have been included. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results to be expected for future periods or the full year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, particularly given the significant economic disruptions and uncertainties associated with the ongoing current geopolitical and economic environment, including potential supply chain constraints. environment.

Cash Equivalents

All highly liquid investments with original maturities of three months or less, including money market funds, certificates of deposit, and U.S. Treasury bills purchased three months or less from maturity, are considered cash equivalents.

Investment in Debt Securities

As of September 30, 2023, the Company held an investment in U.S. Treasury bills, which matures in December 2023. This investment is classified as “held-to-maturity” and is recorded at amortized cost of $1,949,204 in the accompanying condensed balance sheet. The fair value of this investment, based on quoted prices (unadjusted) in active markets for identical assets, is $1,976,380 as of September 30, 2023, which includes an unrealized gain of $27,176.

Receivables and Credit Policy

Trade receivables from customers are uncollateralized customer obligations due under normal trade terms. For direct-to-consumer sales, payment is required before product is shipped. Trade receivables are stated at the amount billed to the customer. Payments of trade receivables are allocated to the specific invoices identified on the customer’s remittance advice or, if unspecified, are applied to the earliest unpaid invoice. The Company, by policy, routinely assesses the financial strength of its customers. To comply with industry standards, we offer “net 30” payments payment terms on wholesale orders of $1,500 or more. For wholesale orders, to acquire an order on net 30 “net 30” payment terms, the customer is provided a credit check application as well as a credit card authorization form. The authorization form explicitly states when and for much we will bill the customer via credit card.

Accounts receivable are reported net of the allowance for doubtful accounts. The allowance for doubtful accounts is determined based upon a variety of judgments and factors. Factors considered in determining the allowance include historical collection, write-off experience, and management's assessment of collectibility from customers, including current conditions, reasonable forecasts, and expectations of future collectibility and collection efforts. Management continuously assesses the collectibility of receivables and adjusts estimates based on actual experience and future expectations based on economic indicators. Receivable balances are written-off against the Company's evaluation of each customer's payment history, account aging, and financial position. The Company recognized bad debt expense of $14,065 allowance when such balances are deemed to be uncollectible. and $19,879 for the three and nine months ended September 30, 2023, respectively. There was no bad debt expense recognized for the three and nine months ended September 30, 2022.

A roll forward of the allowance for doubtful accounts for the nine three months ended September 30, 2023 March 31, 2024 and 2023 is as follows:

Balance at December 31, 2022	$	92,646
Bad debt expense		19,879
Write-offs [(1)]		(47,813)
Recoveries [(1)]		(45,000)
Balance at September 30, 2023	$	19,712

	2024		2023	
Balance at January 1	$	25,772	$	92,646
Bad debt expense (recovery)		(4,891)		142
Write-offs		-		(142)
Other		556		-
Balance at March 31	$	21,437	$	92,646

(1) During the period, the Company entered into a settlement agreement with a former wholesale customer. As a result of this settlement, $47,646 of accounts receivable were written-off as uncollectible, while the $45,000 collected under the settlement agreement is reflected as a gain within general and administrative expenses in the condensed statement of operations.

Inventory

The Company's inventory includes purchased eyewear and is stated at the lower of cost or net realizable value, with cost determined on a specific identification method of inventory costing which attaches the actual cost to an identifiable unit of product.
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. No Such provisions were determined as needed $0 and $31,637 as of September 30, 2023 March 31, 2024 and as of December 31, 2022. December 31, 2023, respectively.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company recorded an inventory prepayment in the amount of $402,255 59,407 and $197,750 323,520, respectively, related to down payments for eyewear purchased from the manufacturer, prior to shipment of the product that occurred after September 30, 2023 and December 31, 2022, respectively. the respective balance sheet dates.

Intangible Assets

Intangible assets relate to patent costs received in conjunction with the initial capitalization of the Company and internally developed utility and design patents. The Company amortizes these assets over the estimated useful life of the patents. The Company reviews its intangibles intangible assets for impairment whenever changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

Capitalized Software

The Company has incurred software development costs related to development of the Vyrb app. The Company application, and has capitalized certain of these costs in accordance with ASC 985-20, "Software – Costs of Software to be Sold, Leased, or Marketed," considering as it is the Company's intention to market and sell the software externally. Planning, designing, coding, and testing

occurred necessary to meet Vyrb's design specifications. As specifications; as such, all coding, development, and testing costs incurred subsequent to establishing technical feasibility were capitalized. The Company
Although we have launched a an open beta version of the Vyrb application in December 2021 that demonstrates the functionality of the software.

The Vyrb app launched in open beta on (for both iOS and Android app stores in 2021, as the Company's first social media platform. The app has had several Android) and have continued to add new features introduced in February 2023, including live audio chatrooms for users of to the Company's smart eyewear, and offers market-leading audio accessibility features for social media, including app, the ability to create and listen to a feed of audio content completely hands-free, using unique voice assistant commands created for the app. The Company plans to continue to develop the expansive Vyrb platform into a feature-rich social toolbox for its customers. This includes the introduction of revenue-generating features such as native ads of Vyrb have not yet been launched and in-app upgrades, as well as gamification features such as a points and rewards system. These new features are planned to launch later in 2024.
The Company has diverted most of its software development resources in 2023 to the development and launch of the Lucyd app to provide groundbreaking Generative AI features to its smart eyewear. The amortization Amortization of the capitalized software costs related to the Vyrb app will begin once revenue-generating operations associated with the software have commenced.

Property and Equipment

Property and equipment assets are depreciated using the straight-line method over their estimated useful lives or lease terms if shorter. For income tax purposes, accelerated depreciation methods are generally used. Repair and maintenance costs are expensed as incurred.

Income Taxes

The Company accounts for income taxes under an asset and liability approach that recognizes deferred tax assets and liabilities based on the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

The Company follows a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. Any interest and penalties accrued related to uncertain tax positions are recorded in tax expense.

The Company periodically assesses the realizability of its net deferred tax assets. If, after considering all relevant positive and negative evidence, it is more likely than not that some portion or all of the net deferred tax assets will not be realized, the Company will reduce the net deferred tax assets by a valuation allowance. The realization of net deferred tax assets is dependent on several factors, including the generation of sufficient taxable income prior to the expiration of net operating loss carryforwards.

Stock-Based Compensation

The Company accounts recognizes compensation expense for stock-based compensation awards to employees and directors in accordance with ASC Topic 718, which requires that compensation expense be recognized in the financial statements for stock-based awards and others based on the grant date fair value. value of such awards. Forfeitures are accounted for as a reduction of compensation expense in the period when such forfeitures occur.

For stock option awards, the Black-Scholes-Merton option pricing model is used to estimate the fair value of share-based awards. The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and share price volatility.

- The expected term of the stock options is estimated based on the simplified method as allowed by Staff Accounting Bulletin 107 (SAB 107).
- The share price volatility is estimated using historical stock prices based upon the expected term of the options granted, using stock prices of comparably profiled public companies.
- 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 restricted stock units, the fair value of the share-based award is based on the simplified method as allowed by Staff Accounting Bulletin 107 (SAB 107). The share quoted market price volatility at of our common shares on the grant date is estimated using historical NASDAQ stock prices of comparably profiled public companies based upon the expected term of the award being valued. 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. exchange.

Revenue Recognition

Our revenue is generated from the sales of prescription and non-prescription optical glasses, sunglasses, and shipping charges, which are charged to the customer, associated with these purchases. We sell products through our retail store resellers, distributors, on our own website Lucyd.co, and on Amazon.com.

To determine revenue recognition, we perform the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) we satisfy a performance obligation. At contract inception, we assess the goods or services promised within each contract and determine those that are performance obligations, and also assess whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

In instances where the collectability collectibility of contractual consideration is not probable at the time of sale, the revenue is deferred on our balance sheet as a contract liability, and the associated cost of goods sold is deferred on our balance sheet as a contract asset; subsequently, we recognize such revenue and cost of goods sold as payments are received. During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, we recognized $2,5007,500 and $10,000 of revenue respectively, for each period, that was included in the contract liability balance balances as of January 1, 2023. January 1, 2024 and 2023, respectively.

All revenue, including sales processed online and through our retail store resellers and distributors, is reported net of returns, discounts, and sales taxes collected from customers on behalf of taxing authorities. authorities, returns, and discounts.

For sales generated through our e-commerce channels, we identify the contract with a customer upon online purchase of our eyewear and transaction price at the manufacturer suggested retail price ("MSRP") for non-prescription, polarized sunglass and blue light blocking glasses across all of our online channels. Our e-commerce revenue is recognized upon meeting of the performance obligation when the eyewear is shipped to end customers. Only U.S. consumers enjoy free USPS first class postage on orders over $149, with faster delivery options available for extra cost, for sales processed through our website and on Amazon. website. For Amazon sales, shipping is free for U.S U.S. consumers while international customers pay shipping charges on top of MSRP. Any costs associated with fees charged by the online platforms (Shopify for Lucyd.co website and Amazon) are not recharged to customers and are recorded as a component of cost of goods sold as incurred. The Company charges applicable state sales taxes in addition to the MSRP for both online channels and all other marketplaces on which the company sells products.

For sales to our retail store partners, we identify the contract with a customer upon receipt of an order of our eyewear through our Shopify wholesale portal or direct purchase order. Revenue is recognized upon meeting the performance obligation, which is delivery of the Company's eyewear products to the retail store, and is also recorded net of returns and discounts. Our wholesale pricing for eyewear sold to the retail store partners includes volume discounts, due to the nature of large quantity orders. The pricing includes shipping charges, while excluding any state sales tax charges applicable. Due to the nature of wholesale retail orders, no e-commerce fees are applicable.

For sales to distributors, we identify the contract with a customer upon receipt of an order of our eyewear through a direct purchase order. Revenue If collectibility of substantially all of the contract consideration is probable, revenue is recognized upon meeting the performance obligation, which is delivery of our eyewear products to the distributor, and is also recorded net of returns and discounts. Our wholesale pricing for eyewear sold to retail store partners and distributors includes volume discounts, due to the nature of large quantity orders. The pricing includes shipping charges, while excluding any state sales tax charges applicable. does not include shipping. Due to the nature of wholesale retail orders, no e-commerce marketplace fees are applicable. applicable, only credit card processing fees.

The Company's sales do not contain any variable consideration.

We allow our customers to return our products, subject to our refund policy, which allows any customer to return our products for any reason and receive a full refund for frames (prescription lenses excluded) within the first: first 7 days for sales made through our website (Lucyd.co), 30 days for sales made through Amazon, and 30 days for sales to most wholesale retailers and distributors (although certain sales to independent distributors are ineligible for returns). As of January 2024, our return policy was updated to prohibit discretionary returns of prescription lenses. Additionally in January 2024, we instituted a standard $15 restocking fee for standard frame returns, which is deducted from applicable refunds to cover shipping and restocking costs.

- 7 days for sales made through our website (Lucyd.co)
- 30 days for sales made through Amazon
- 30 days for sales to most wholesale retailers and distributors (although certain sales to independent distributors are ineligible for returns)

For all of our sales, at the time of sale, we establish a reserve for returns, based on historical experience and expected future returns, which is recorded as a reduction of sales. Additionally, we reviewed review all individual returns received in October 2023 the month following the balance sheet date pertaining to orders processed prior to September 30, 2023. As a result, the Company determined that balance sheet date in order to determine whether an allowance for sales returns was is necessary. The Company recorded an allowance for sales returns of $5,234 8,937 and $24,897 40,933 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Shipping and Handling

Costs incurred for shipping and handling are included in cost of revenue at the time the related revenue is recognized. Amounts billed to a customer for shipping and handling are reported as revenues. Costs incurred for shipping and handling are included in cost of goods sold at the time the related revenue is recognized.

NOTE 3 – GOING CONCERN

The Company has a limited operating history. The Company's business and operations are sensitive to general business and economic conditions in the United States. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include recession, downturn, or otherwise, changes in regulations or restrictions in imports, competition, or changes in consumer taste. These adverse conditions could affect the Company's financial condition and the results of its operations.

The Company meets its day-to-day working capital requirements using monies raised through sales of eyewear and issuances of equity, including our initial public equity. On May 1, 2024, the Company closed on an offering completed in August 2022, a secondary public offering completed in June 2023, of common stock and exercises warrants for gross proceeds of warrants by stockholders approximately $1.0 million (see Note 9 10 for additional details). The Company has also previously issued entered into an agreement with a convertible note held by its parent company, related party, under which was repaid in full during the nine months ended September 30, 2023. Company may borrow up to $1.25 million (see Note 6 for details); as of March 31, 2024, the Company has not borrowed any amounts under this agreement. The Company's forecasts and projections indicate that the Company expects to have sufficient cash reserves and future income to operate within the level of its current facilities. The Company anticipates that its available liquidity will be sufficient to fund operations through at least the next 12 months.

NOTE 4 –INCOME TAX PROVISION

At the end of each interim reporting period, the Company estimates its effective tax rate expected to be applied for the full year. This estimate is used to determine the income tax provision or benefit on a year-to-date basis and may change in subsequent interim periods. The Company has not recorded a tax provision for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 as it maintains a full valuation allowance against its net deferred tax assets.

NOTE 5 – TANGIBLE AND INTANGIBLE ASSETS

Property & Equipment	**September 30, 2023**	**December 31, 2022**	**March 31, 2024**	**December 31, 2023**
Mobile Kiosk Display	$ 153,592	$ 63,395	$ 156,931	$ 127,333
Computer Equipment	44,901	44,901	44,901	44,901
Office Equipment	17,272	17,273	12,991	10,291
Internal-Use Software	31,300	16,775	31,300	31,300
Property and equipment, gross	247,065	142,343	246,123	213,825
Less: Accumulated depreciation	(68,595)	(22,599)	(102,636)	(80,977)
Property and equipment, net	$ 178,470	$ 119,744	$ 143,487	$ 132,848

Depreciation expense for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $17,017 21,659 and $4,667 10,307, respectively.

Finite-lived intangible assets	**March 31, 2024**	**December 31, 2023**
Patent Costs	$ 380,809	$ 329,232
Intangible assets, gross	380,809	329,232
Less: Accumulated amortization	(50,617)	(42,803)
Intangible assets, net	$ 330,192	$ 286,429

Depreciation expense for the nine months ended September 30, 2023 and 2022 was $45,996 and $12,566, respectively.

Finite-lived intangible assets	**September 30, 2023**	**December 31, 2022**

Patent Costs	$ 310,948	$ 156,196
Intangible assets, gross	310,948	156,196
Less: Accumulated amortization	(38,669)	(18,639)
Intangible assets, net	$ 272,279	$ 137,557

Amortization expense for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $2,214 7,814 and $2,879 5,956, respectively.

Amortization expense for the nine months ended September 30, 2023 and 2022 was $20,030 and $7,060, respectively.

NOTE 6 – RELATED PARTY ADVANCES TRANSACTIONS AND OTHER INTERCOMPANY AGREEMENTS

Convertible Note and Due to Parent Tekcapital and Affiliates

During the nine months ended September 30, 2023 and during 2022,Through December 31, 2023, the Company had the availability of, but not the contractual right to, intercompany financing from the Parent Tekcapital and Affiliates in the form of either cash advances or borrowings under a convertible note (as discussed below).

The convertible notes balances were $61,356 at December 31, 2022 January 1, 2023. In January 2023, the Company borrowed an additional $48,143 under such convertible notes, and subsequently repaid the outstanding balances of the convertible notes in full in February 2023, such that there 2023. No further amounts were no amounts outstanding borrowed under these convertible notes, and the convertible notes matured on December 1, 2023 with no amounts outstanding.

New Lucyd Ltd. Agreement

The Company entered into an agreement with Lucyd Ltd. pursuant to which the Company can receive up to $1,250,000 either (a) in services provided by Lucyd Ltd. to the Company or (b) in cash upon request of funds by the Company. The Company has not borrowed any amounts under this agreement. Once funds or services are received by the Company, it will issue a convertible note to Lucyd Ltd. (the “Convertible Note”) that will bear interest at 10% per annum and include the option to convert the Convertible Note into the Company’s common stock upon certain Conversion Events (as defined in the Convertible Note). Upon issuance, the Convertible Note will have a maturity date of September 1, 2025, at which time all outstanding principal and accrued interest, if any, will be payable in full in cash or in the Company’s common stock at the discretion of the holder . The Company will be able to prepay the Convertible Notes at any time with the written consent of Lucyd Ltd.

Loan to Tekcapital Europe, Ltd.

On January 11, 2024, the Company entered into an intercompany loan agreement (as lender) with Tekcapital Europe, Ltd. (as borrower) and Tekcapital Plc, the parent of Tekcapital Europe, Ltd. Pursuant to this agreement, the Company loaned 600,000 British pounds sterling (equivalent to approximately $768,000) to Tekcapital Europe, Ltd. The loan bears simple interest at a rate of 10% per annum and was required to be repaid on or before April 11, 2024. Tekcapital Plc executed the agreement as guarantor for Tekcapital Europe, Ltd. on the full amount of September 30, 2023. the loan.

Tekcapital Europe, Ltd. repaid the substantially all of the principal balance of the loan in March 2024. As of March 31, 2024, the only amounts remaining outstanding and payable to us under the loan were 7,616 British pounds sterling of principal and 10,717 British pounds sterling of accrued interest (in total, approximately $23,000). This balance is reflected in the condensed balance sheet as a current asset Due from Tekcapital and Affiliates, net of other amounts payable to Tekcapital and Affiliates for other related party agreements.

Management Service Agreement

The Company has entered into a management services agreement with Tekcapital Europe, Ltd. (a related party, related through common ownership), for which the Company is billed at $35,000 $35,000 quarterly. While the agreement does not stipulate a specific maturity date, it can be terminated with 30 calendar days written notice by any party.

The related party currently provides the following services:

- Support and advice to the Company in accordance with their area of expertise;
- Research, technical review, and legal review, recruitment, software development, marketing, public relations, and advertisement; and
- Advice, assistance, and consultation services to support the Company or in relation to any other related matter.

During the three months ended September 30, 2023 and 2022, March 31, 2024, the Company incurred $35,000 in each respective period under the management services agreement. During the nine months ended September 30, 2023 and 2022, the Company incurred $105,000 in each respective period under the management services agreement.

Rent of Office Space

Prior to the February 1, 2022 amendment of the aforementioned management servicesUnder an agreement between the Company was provided with rent-free office space by the Parent and Affiliates. Effective February 1, 2022, Tekcapital, began to bill Tekcapital bills the Company for an allocation of rent paid by Tekcapital on the Company’s behalf. The Company recognized $22,992 23,231 and $68,752 22,769 of expense related to this month-to-month arrangement for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, respectively. The Company recognized $
52,085 of expense related to this arrangement for both the three and nine months ended September 30, 2022.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Legal Matters

We are not currently the subject of any material pending legal proceedings; however, we may from time to time become a party to various legal proceedings arising in the ordinary course of business.

Leases

Our executive offices are located at 11900 Biscayne Blvd.On January 3, 2024, Suite 630 Miami, Florida 33181. Our executive offices are provided to us we settled and resolved certain matters with a third party, including a complaint that had been brought before the International Trade Commission and an investigation instituted by the parent of Tekcapital (see Note 6) International Trade Commission in 2023, and entered into a multi-year non-exclusive license agreement with the third party covering multiple smart eyewear patents (as described more fully below). We consider our current office space adequate for our current operations.

License Agreements

In late 2022 and 2023, we entered into several multi-year license agreements which grant us the right to sell certain branded smart eyewear, including the Nautica, Eddie Bauer, and Reebok brands worldwide. These agreements require us to pay royalties based on a percentage of net retail and wholesale sales during the period of the license, and also require guaranteed minimum royalty payments.

The aggregate future minimum payments due under these license agreements are as follows:

Remainder of 2023	$ -	
2024	161,210	
Remainder of 2024		$ -
2025	436,000	436,000
2026	834,000	834,000
2027	1,290,000	1,290,000
2028		1,543,000
Thereafter (through 2033)	10,550,000	9,907,000
Total	$ 13,271,210	$ 14,010,000

Also, on January 3, 2024, entered into a multi-year non-exclusive license agreement with a third party (IngenioSpec, LLC) for multiple smart eyewear patents. Pursuant to this license agreement, the Company added licenses for 46 new patents to its portfolio of owned and licensed patents and applications. The Company fully prepaid this license for the term of the agreement, and as of March 31, 2024 does not have any obligation for future payments under this agreement.

Leases

Our executive offices are located at 11900 Biscayne Blvd., Suite 630 Miami, Florida 33181. Our executive offices are provided to us by a related party (see Note 6). We consider our current office space adequate for our current operations.

Other Commitments

See related party management services agreement discussed in Note 6.

NOTE 8 – STOCK-BASED COMPENSATION

During the nine three months ended September 30, 2023 March 31, 2024, we granted the following option awards:

- Options to purchase an aggregate of 330,000 shares of common stock at $1.275 per share were issued to the Company's officers and management, of which 1/3 vested immediately, 1/3 shall vest on January 13, 2024, and the remaining 1/3 shall vest on January 13, 2025. The options expire on January 13, 2028.
- Options to purchase an aggregate of 75,000 shares of common stock at $1.275 per share were issued to non-management directors, which vest evenly over three years, whereby 1/3 shall vest on each of January 13, 2024, January 13, 2025, and January 13, 2026. The options expire on January 13, 2028.
- Options to purchase an aggregate of 162,000 shares of common stock at $1.275 per share were issued to certain employees and consultants, which vest evenly over three years, whereby 1/3 shall vest on each of January 13, 2024, January 13, 2025, and January 13, 2026. The options expire on January 13, 2028.
- Options to purchase an aggregate of 75,000 shares of common stock at $1.275 per share were issued an employee, which would have vested evenly over three years (whereby 1/6 of the options would have vested every six months). During the three months ended September 30, 2023, all of these options were forfeited.
- Options to purchase an aggregate of 6,000 shares of common stock at $1.275 per share were issued to a consultant, which vested immediately. These options were all exercised during the nine months ended September 30, 2023.
- Options to purchase an aggregate of 15,000 shares of common stock at $0.66 per share were issued to certain employees and consultants, which vest evenly over two years, whereby 1/4 of the options shall vest every six months. The options expire on September 5, 2028.

Additionally, on June 1, 2023, we modified the terms of certain options awarded in 2021 to purchase an aggregate of 140,000 10,000 shares of common stock in order at $0.4201 per share to extend their expiration dates from July 21, 2023 to July 21, 2024. There were no changes to an employee, of which 1/5 vested immediately, and 1/5 shall vest on each six-month anniversary of the exercise price or other terms of these stock grant date. The options and these options were already fully vested prior to the modification. As a result of this modification, we recognized incremental stock option expense of $ expire on January 11, 2029. 9,188 for the nine months ended September 30, 2023.

Details of Summary information regarding the number of stock options, and the weighted average exercise price, outstanding and remaining contractual life as of and during the nine three months ended September 30, 2023 are March 31, 2024 is as follows:

	Average Exercise price per share $	**Options (Number)**	Weighted Average **Exercise Price per share** $	Options (Number)	Weighted Average Remaining Contractual Life (Years)
As at January 1, 2023	2.61	2,332,500			
As at January 1, 2024			2.08	2,894,500	2.22
Granted	1.26	663,000	0.42	10,000	
Exercised	1.01	(316,000)	-	-	
Forfeited / Expired	2.94	(275,000)	1.27	(228,750)	
As at September 30, 2023	**2.41**	**2,404,500**			
Exercisable as at September 30, 2023	**2.67**	**1,509,808**			
As at March 31, 2024			**2.14**	**2,675,750**	**2.06**
Exercisable as at March 31, 2024			**2.40**	**1,824,547**	**1.45**

As of September 30, 2023, the weighted average remaining contractual life of options was 1.91 years for outstanding options, and 1.32 years for exercisable options.

As of September 30, 2023, unrecognized stock option expense of $885,010 remains to be recognized over next 1.17 years.

As of September 30, 2023 March 31, 2024, the aggregate intrinsic value for all options outstanding as well as all options exercisable was zero.

NOTE 9 – STOCKHOLDERS' EQUITY

Second Public Offering

On June 26, 2023, the Company closed on a public offering of 4,500,000 units consisting of 4,500,000 shares of its common zero, and unrecognized stock and 4,500,000 warrants to purchase 4,500,000 shares of common stock (the "Common Warrants") at a combined offering price of $1.05 per unit in exchange for gross proceeds option expense of approximately $4.73 463,000 million, before deducting underwriting discounts remains to be recognized over next 1.11 years.

Also during the three months ended March 31, 2024, we recognized $5,075 of expense related to restricted stock units awarded in 2023; as of March 31, 2024, unrecognized restricted stock unit expense of approximately $14,000 remains to be recognized between April 1, 2024 and offering expenses. Each share of common stock was sold together November 30, 2024.

Additionally, on March 28, 2024, we entered into an agreement for a third party to provide us with one warrant. Each Common Warrant is exercisable to purchase one share of common stock at an initial exercise price of $1.05 per share, subject to certain adjustments as set forth in financial advisory and investment banking services. As consideration for the warrant agreement. In addition, pursuant services provided to the terms of the placement agency agreement for the offering, the Company, we issued to the placement agent certain other warrants to purchase up to 180,000 shares of the Company's common stock at an exercise price of $1.31 per share. The net proceeds received by the Company from this offering amounted to $4,115,688.

Warrants

On August 17, 2022, as part of the Company's initial public offering, the Company issued a total of 2,254,000 warrants to purchase 2,254,000 shares of common stock, which began trading and are currently trading on the Nasdaq Capital Market, under the symbol "LUCYW" (which we refer to as the "Listed Warrants"). Additionally, pursuant to the terms of the related underwriting agreement for the initial public offering, the Company issued to the underwriter certain other warrants to purchase up to 58,800 shares of the Company's common stock, which have an exercise price of $8.228 per share.

In February 2023, holders of the Company's Listed Warrants exercised such warrants to purchase an aggregate of 408,600 shares of the Company's common stock, at an adjusted exercise price of $3.75 per share, resulting in cash proceeds to the Company of $1,532,250.

Between April 1, 2023 and April 16, 2023, holders of the Company's Listed Warrants exercised such warrants to purchase an aggregate of 321,120 shares of the Company's common stock, at an adjusted exercise price of $3.75 per share, resulting in cash proceeds to the Company of $1,204,200.

On April 17, 2023, the Company entered into a warrant exercise inducement letter agreement ("Inducement Letter") with certain accredited investors that were existing holders of the Company's Listed Warrants to purchase an aggregate of 150,000 shares of the Company's common stock for cash, wherein the investors agreed to exercise all of their existing Listed Warrants at an exercise price of $3.75 per share. The gross proceeds to the Company from this transaction, before deducting estimated expenses and fees, was $562,000. In consideration for the immediate exercise of the existing Listed Warrants for cash, the exercising holders received new warrants to purchase up to an aggregate of counterparty 300,000 shares of our common stock (the "Private Warrants") stock. No expense related to this agreement has been recognized in a private placement pursuant to Section 4(a)(2) the condensed statement of operations for the three months March 31, 2024, although the fair value of the Securities Act of 1933, as amended. The Private Warrants are immediately exercisable upon issuance at an exercise price of $3.75 per common share and will expire on April 19, 2028. The Private Warrants were offered in a private placement pursuant to an applicable exemption from the registration requirements of the Securities Act and, along with the shares of common stock issuable upon their exercise, have not transferred has been registered under the Securities Act of 1933, and may not be offered or sold recognized in the United States absent registration with the SEC or an applicable exemption condensed balance sheet as of March 31, 2024 as a prepaid expense. The related expense will be recognized over a 6-month period from such registration requirements. The securities were offered only to accredited investors. The net proceeds received by the Company from this transaction amounted to $391,268 April 1, 2024 through September 30, 2024..

None of the aforementioned other warrants issued to underwriters and placement agents have been exercised.

As of September 30, 2023, the Company's remaining outstanding warrants are as follows:

Warrant Type	Warrants Outstanding	Exercise Price		Expiration Date
Listed Warrants	1,374,280	$	3.75	8/17/27
Common Warrants	4,500,000	$	1.05	6/26/28
Private Warrants	300,000	$	3.75	4/19/28
Underwriter warrants	58,800	$	8.23	8/12/27
Placement agent warrants	180,000	$	1.05	6/26/28
Total	**6,413,080**			

NOTE 10 9 –EARNINGS PER SHARE

The Company calculates earnings/(loss) per share data by calculating the quotient of earnings/(loss) divided by the weighted average number of common shares outstanding during the respective period as required by ASC 260-10-50. period.

Due to the net losses for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, all shares underlying the related party convertible debt, common stock warrants, and common stock options were excluded from the earnings per share calculation due to their anti-dilutive effect.

The calculation of net earnings/(loss) per share is as follows:

	For the three months ended	
	March 31, 2024	March 31, 2023
Basic and diluted:		
Net loss	$ (1,971,311)	$ (1,430,810)
Weighted-average number of common shares	12,952,106	7,569,115
Basic and diluted net loss per common share	$ (0.15)	$ (0.19)

NOTE 10 – SUBSEQUENT EVENTS

At-the-Market Offering

	For the three months ended		For the nine months ended	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Basic and diluted:				
Net loss	$ (1,551,105)	$ (1,404,321)	$ (4,269,717)	$ (3,804,692)
Weighted-average number of common shares	12,917,239	6,673,020	9,705,053	6,266,709
Basic and diluted net loss per common share	$ (0.12)	$ (0.21)	$ (0.44)	$ (0.61)

On April 15, 2024, the Company entered into an at-the-market offering agreement with H.C. Wainwright & Co., LLC, as sales agent ("HCW"), relating to the sale of common stock. In accordance with the terms of the offering agreement, Form S-3 shelf registration, and related prospectus documents filed with the SEC, the Company offered to sell up to $1,120,446 of shares of its common stock from time to time, through HCW acting as agent.

From April 15, 2024 through April 28, 2024, the Company sold 50,395 shares of common stock at purchase prices of approximately $0.25 per share, and received approximately $13,000 of gross proceeds before deducting sales agent fees and expenses. The net proceeds received by the Company from these transactions amounted to approximately $12,000.

Following the May 1, 2024 registered direct offering described below, the Company filed an amended prospectus document, reducing the maximum remaining aggregate offering amount under the at-the-market facility to $538,599 of shares of common stock.

Registered Direct Offering

On May 1, 2024, the Company closed on a registered direct offering of 4,200,822 shares of its common stock and, in a concurrent private placement, warrants to purchase up to 4,200,822 shares of common stock at an exercise price of $0.244 per share, for a combined purchase price per share and warrant of $0.244. In exchange, the Company received approximately $1.0 million of gross proceeds, before deducting placement agent fees and expenses. In addition, the Company issued to the placement agent warrants to purchase up to 315,062 shares of common stock at an exercise price of $0.305 per share. The net proceeds received by the Company from this transaction amounted to approximately $837,000. We intend to use the net proceeds of this offering primarily for working capital and general corporate purposes.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and the related notes and the other financial information included elsewhere in this Quarterly Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Quarterly Report.

Overview

TheOur mission of our company is to upgrade the world's eyewear, by adding useful tech features Upgrade Your Eyewear®. We develop and sell cutting-edge smart eyeglasses and sunglasses, which are designed to comfortable and stylish sunglasses and eyeglasses. Our products enable seamless Bluetooth connection allow our customers to your remain connected to their digital life and prescription lives, while also offering vision correction in one affordable and convenient package. protection. Our flagship brand of smart eyewear is called Lucyd® a fusion of headphones with glasses, bringing vision correction and protection together with digital connectivity and clear audio, while also offering a safer solution for listening to music outdoors (as compared to in-ear headphones). Lucyd eyewear is enjoyed by thousands The convenience of people around the world who want the convenience having a Bluetooth headset and utility of wireless headphones and comfortable glasses in one. Furthermore, one, especially for those who are already accustomed to all-day eyewear use, offers a lifestyle upgrade at a price most consumers can afford.

Our flagship product, Lucyd Lyte®, enables the wearer to listen to music, take and make calls, and use voice assistants and ChatGPT to perform many common smartphone tasks hands-free.

Products and History

In January 2020, we believe we are revolutionizing the concept of eyewear overall, by enabling connection to the powerful ChatGPT AI assistant right on introduced our glasses, using a novel first beta product and ergonomic voice interface. The Company believes the addition of this powerful feature to our eyewear will significantly enhance user adoption of Lucyd eyewear, and may provide a new revenue stream for the business in the form of in-app purchases. began market testing.

In January 2021, we officially launched our first commercial product, Lucyd Lyte® ("Lucyd Lyte"). Lyte. This initial product offering embodied our goal of creating smart eyewear for all day wear that looks like and is priced similarly to designer eyewear, but is also light weight lightweight and comfortable, and enables the wearer to remain connected to their digital lives. The product was initially launched with six styles, and in September 2021, an additional six styles were added.

We recentlyIn the first quarter of 2022 we introduced a virtual try-on kiosk for select retail stores. This device introduces our products to prospective retail customers and enables them to digitally try-on our line of smart glasses in a touch-free manner. In the fourth quarter of 2022, we completed development of core audio eyewear product improvements, such as upgrading all frames to quadraphonic sound, which was subsequently rolled out across all of our new eyewear models.

In February 2023, we launched version 2.0 of our Lucyd Lyte eyewear with 15 different styles, incorporating several key breakthroughs for the smart eyewear product category – including a four-speaker audio array, 12-hour music playback and call time, and improved styling as well as technical upgrades. In October 2023, we launched six new styles of smart eyewear, branded as Lyte XL, bringing even more advancements – including patent-pending flexible hinges for a more comfortable fit and a wider range of suitable head sizes, significant improvements to speaker and microphone quality, thinner and more ergonomic temples, and post-consumer recycled packaging.

Also during 2023, we completed upgrades to our accessory products, including the charging dock and virtual try-on kiosk. The patent-pending Lucyd charging dock was upgraded to version 2.0 edition, featuring auto-adjusting connectors to fit any size of smart eyewear we produce, a new charging status LED, and USB data capability, enabling it to be used as a USB hub for computers in addition to a charging hub. The Lucyd virtual try-on kiosk was replaced with a fully modular display system, with eight available components for stores to mix and match to suit their display needs. The display can be deployed as a countertop display or freestanding, making it suitable for almost any retail environment.

In January 2024, we launched the Nautica® *Powered by Lucyd* smart eyewear collection in eight different styles, along with various branded accessories including a power brick, cleaning cloth, and a slipcase adorned with the iconic Nautica sail logo. We anticipate launching the Eddie Bauer® *Powered by Lucyd* and Reebok® *Powered by Lucyd* smart eyewear collections later in 2024.
Our current product offering consists of 21 version 2.0 29 different models, which offers a similar amount of style variety as many traditional eyewear collections. Six of the 21 styles are from a new sub-collection called Lyte XL, which boasts our most advanced features yet, launched in October 2023. All styles are each available with 80+ different lens types, resulting in hundreds thousands of variations of products currently available. The Company currently has over 100 licensed patents and applications.
The new Lucyd Lyte version 2.0 collection features several key breakthroughs for the smart eyewear product category:

1. Music playback and call time were extended to 12 hours, a 50% increase over the version 1.0 and making Lyte one of the longest-lasting true wireless audio devices on the market.
2. A four-speaker array was introduced, improving audio fidelity significantly compared to the version 1.0 model and many other smart eyewear products.
3. Styling of the frames deployed the Company's new expert design team, producing smart eyewear that follows trending styles in 2023 in the traditional eyeglasses and sunglasses markets. The collection features many style firsts for a smart eyewear collection designed in the United States, that have proven commercially successful in traditional eyewear, such as titanium rose gold and champagne crystal styles for women, and gunmetal gray and acetate aviator styles for men.
4. The upgrade to a Bluetooth 5.2 chip improves connection stability, especially for older devices.
5. Responsiveness of touch controls improved with an audible tone added to alert the wearer when they have used a command successfully.
6. The transition of the LED status indicators to the interior of the temples, a change based on consumer feedback, makes the product more discreet.

Since the launch of Lucyd Lyte, we have witnessed interest and demand from customers throughout the United States and have sold thousands of our smart glasses. Within six months of the launch of Lucyd Lyte, several optical stores in the United States and Canada have on-boarded the product and we have had discussions with several other large eyewear chains (by number of locations) regarding onboarding on-boarding our product. We believe smart eyewear is a product category whose time has come, and we believe we are well positioned to capitalize on and help develop this exciting new sector– sector – where eyewear meets electronics in a user-friendly, mass market format, priced similarly to designer eyewear.
In***Apps***
The Vyrb app launched in open beta on iOS and Android app stores in 2021, as the Company's first quarter of 2022 we introduced a virtual try-on kiosk for select retail stores. This device introduces our products to prospective retail customers and enables them to digitally try on our line of smart glasses in a touch-free manner. social media platform.
In 2023, we launched a total of 21 new styles of Lucyd Lyte eyewear, and entered production for our first licensed product, the Nautica *Powered by Lucyd* smart eyewear collection. Due to slight delays in production, the Nautica line will launch in the first quarter of 2024, rather than in the fourth quarter of 2023 as originally anticipated. Additionally, unforeseen manufacturing issues with the Lucyd safety glass product line caused this product launch to also be delayed, and is now planned to launch in the second quarter of 2024. Due to the complexity of smart eyewear products, and the number of components and details involved, the Company believes in taking the time to ensure its products are as perfected as possible to meet the needs of the customer.
Other recent product developments are as follows:

- In October 2023, the Company launched six new styles of smart eyewear under the Lucyd line, branded as Lyte XL, bringing several key innovations to the core product line. The new frames feature patent-pending flexible hinges which enable a more comfortable fit and a wider range of suitable head sizes for each frame, significant improvements to speaker and microphone quality, thinner and more ergonomic temples, multi-lingual packaging for global sales, and the use of 99% post-consumer recycled materials in the packaging. Additionally, the new packaging design is more compact and more clearly advertises the frame style within, making it more retail-friendly. These key improvements will be rolled out across all of the Company's smart eyewear products to come, and marks notable R&D advancements towards the Company's goal to develop the global standard in smart eyewear. These improvements also come just eight months after the Company's previous frame launch, showing our ability to rapidly improve our products on a short timetable.
- The patent-pending Lucyd Charging Dock accessory will be upgraded to feature a charging status LED and USB data capability, enabling it to be used as a USB multi-device hub for computers in addition to a charging hub. Additionally, the new Dock has a special spring-action connector that enables it to function perfectly with any pair of glasses from the Company, whereas the original Dock had difficulty with some petite and wide fit frames.

- We completed an overhaul of our retail fixtures in the third quarter of 2023, offering our new enhanced video and audio demo displays to all current and prospective retail partners. The new displays were designed in-house and purpose-built for enhancing sell-through of our smart eyewear. Our new modular display system incorporates two different center stations focused on audio and video experiences, along with side pieces for stores with additional counter space to exhibit any number of our frames. Over the course of the third quarter of this year, we began upgrading the store fixtures of our retail partners to the new display systems, which we believe will enhance sell-through of our products. Initial retailer feedback on the new display system has been positive, as it eliminates key issues with our previous displays, by providing enough consumer information to make an educated buying decision, including allowing the customer to interact with and listen to music on live products, and also including the addition of a security tether to make it suitable for all retail environments.
- We introduced a proprietary new custom lens in the third quarter of 2023, called the Lucyd Blueshift lens. This new lens transitions from clear indoors to dark outdoors, and has a handmade blue light blocking coating that was independently lab tested to block 40% of harmful blue light. This is an achievement since blue light lenses with this degree of filtration normally have a yellowish or amber tint, while the Blueshift lens is fully clear indoors. The Blueshift lens is offered in polarized and nonpolarized variants in any prescription or as a non-prescription custom lens.

In the fourth quarter of 2022, we introduced key features in the Vyrb app, including live broadcasts for up to 100 users in one digital "room", "room," and the ability to upload external audio content into Vyrb, enabling longstanding content creators to import their existing libraries swiftly into the platform. This
In the first quarter of 2023, we introduced several new feature allows content creators to share content they made outside of Vyrb on features for the Vyrb network, app, including market-leading audio accessibility features for social media, such as the ability to create and in listen to a feed of audio content completely hands-free, using unique voice assistant commands created for the future we app. We plan to allow users continue to monetize this content develop the expansive Vyrb platform into a feature-rich social toolbox for customers. This includes the introduction of revenue-generating features such as native ads and in-app upgrades, as well as the content they generate originally on the platform. For example, we plan to enable podcasters to import their existing podcast library into Vyrb, and set a paywall for other users to access the content. Also in the fourth quarter of 2022, we completed development of core audio eyewear product improvements, gamification features such as upgrading all frames a points and rewards system.
Additional new features for the Vyrb app are planned to quadraphonic sound, which have been rolled out across all new eyewear models as of January 2023. launch in 2024, including a fully upgraded user interface. Once this update to the interface is completed, the app will be considered officially launched, and the Company will begin to promote it and capitalize on it in earnest.
In April 2023, we introduced a another major software upgrade for our glasses with the launch of the Lucyd app for iOS/ iOS and Android. This free application enables the user to converse with the extremely popular ChatGPT AI language model on the our glasses, to instantly gain the benefit of one of the world's most powerful AI assistants in a hands-free ergonomic interface. The app deploys a powerful and unique Siri and Google Voice integration with the Open AI API for ChatGPT, developed internally by the company and now pending patent. This Company. The Company has filed a patent application related to this software upgrade. We believe this development instantly makes all our Lucyd eyewear perhaps the *smartest* smartglasses available today, and represents a significant marketing opportunity for the company's Company's core smartglasses product, and smartglass product. In addition, the Company plans to launch new features for the Lucyd app in 2024, including a paid "Pro" version of the app, which will provide another potential in-app purchase incremental revenue stream for the Company. Company from glasses customers.
We subsequently launched version 2.0 of the Lucyd app in August 2023 for iOS, which included an upgraded visual interface, new AI tool, and usability improvements, with the same updates planned for the Android version of the app in the fourth quarter of 2023. The new state-of-the-art interface makes perhaps the world's most powerful commercial AI easier to use than ever on our smart glasses. We plan to introduce more features, a shop, and a pro version of the app in the near future.
We apply a manufacturer suggested retail price ("MSRP") of $199 (for our standard frames) to $229 (for our titanium frames) for non-prescription, polarized sunglass and blue light blocking glasses across our online channels, with our wholesale pricing offering volume discounts to these prices. Please refer to discussion in the Components of Results of Operations section below for more details regarding our pricing structure.
Our business model is capital light, as we have elected not to build our own manufacturing facilities and Company-owned retail distribution, but rather have contracted with existing sources of production and proven consumer-facing retail distribution.
In summation, the ultimate synopsis from management on the status of the Company at the end of the third quarter of 2023 is as follows:

- The Company has made notable advancements in both hardware and software products, fostering a market-leading smart eyewear user experience. This follows the Company's mission to continuously iterate and improve its products to better serve the customer, shown by the development of new custom components launching in the third quarter; the overall improvement of fit, style, and functionality coming to our products with each successive launch; and the combination of our core technology with the globally renowned Nautica, Eddie Bauer, and Reebok brands pending launch over the next three to six months.
- The Company has built its strongest team to date, with 12 full-time staff extremely devoted to building the global standard in smart eyewear, and several capable design, promotion, and sales contractors supplementing the core team.
- The Company was the first to market with a touch-free voice interface for ChatGPT, demonstrating our ability to rapidly incorporate new innovations into our core product to the immediate and great benefit of all users.
- The Company has launched a very sophisticated and attractive modular display system that is primed to introduce smart eyewear to lay customers and maximize sell-through in any retail environment suitable for our products. The new display system features a 10" video monitor continuously running promotional videos, can be programmed with new videos seasonally via an SD card slot, and describes to passerby how to conduct a music demo on the pair of Lucyd glasses on the display. The display also features modular side pieces enabling retail locations to take advantage of varied amounts of counter space to display Lucyd products.

- The optical industry itself has begun to recognize us as a leader of innovation in optics, as shown in recent coverage that lists us alongside major, well-established players in the space.
- Although we underwent some significant challenges with product defects and returns, primarily in 2022 but also leading into 2023, the result of this was a total overhaul of our supply chain that yielded more reliable factories and an overall significant quality improvement on all of our glasses, positioning us well for the future.
- The Company began adopting aggressive influencer marketing strategies in the third quarter of 2023, some of which have already been successful in generating high-quality, authentic user content to support advertising our products, as well as growing our social media following. The Company believes influencer marketing will be a cornerstone of its marketing efforts going forward, given the nature of smart eyewear as a complex new product that typically requires detailed exposition for consumer adoption.
- Optical retailer feedback at the Vision Expo West conference on the new Lyte XL frames and pre-production Nautica smart eyewear samples was extremely positive, indicating the strong potential of the optical channel for our products. Reception of the Nautica samples was some of the best feedback the Company had ever received. With the optical industry being a largely brand-driven marketplace, the introduction of the *Powered by Lucyd* lines bode well for the Company's future prospects.

Key Factors Affecting Performance

Expansion of retail points of purchase

In addition to sustained growth of our e-commerce business, our future revenues are correlated positively with our placement of Lucyd glasses in optical stores, as well as sporting goods stores and other specialty stores such as cellular shops. stores. To address this, we have assembled a team with decades of experience in the eyewear industry and are offering a strong co-op marketing program and reordering incentives program. We currently offer an expansive line of 21 29 different styles and several accessories, with plans to continuously expand this offering over time. In the first quarter of 2023, we added approximately 50 new retail partners, comprised of independent optical stores, and are in the second quarter process of 2023 we added approximately 25 new independent optical stores expanding our product offerings to include cobranded eyewear with well-known brands like Nautica, Eddie Bauer, and seven Duty Free stores operated Reebok. In total, the Company expects to offer 38 total smart eyewear SKUs across these brands and Lucyd by Privato Inc. In the third quarter end of 2023, we added 37 new accounts, entirely optical stores. 2024.

Retail store client retention and re-orders

Our ability to sustain and increase revenue is correlated positively with our ability to receive re-orders from stores, either directly or through our wholesale distributors. To support our sales to retail stores directly, we offer a strong co-op marketing program that includes free and paid store display materials. As part of this strategy, we have launched a new modular display system with engaging video screens and audio testing capabilities for our resellers to help educate their in-store customers about Lucyd Lyte and enable customers to try them on. This proprietary display system is central to our efforts to introduce traditional retail customers to Lucyd eyewear, and we are planning further enhancements to our merchandising displays to enable more immersive experiences. Additionally, we consistently incorporate retail partner feedback directly into our frames to better serve our end users. 44 As of March 31, 2024, 45 display systems have been deployed so far to retailers.

Investing in business growth

We believe that people care about what they wear on their faces, and because we understand that customers have diverse preferences about the shape, size, and design of their eyewear, we aim to continuously invest in the design and development of new models in an effort to provide the consumer with a wide selection of styles, colors, and finishes.

We are offering a strong co-op marketing program with retail stores, and intend to expand our sales, marketing, and brand ambassador teams to broaden our brand awareness and online presence. We will also increase our general and administrative expenses in the foreseeable future to cover the additional costs for finance, compliance, supply chain, quality assurance and investor relations as we grow as a public company.

Key Performance Indicators

Store Count (B2B)

We believe that one of the key indicators for our business is the number of retail stores onboarded to sell Lucyd Lyte. We started onboarding our first retail stores in June 2021. Currently, we have approximately over 350 retail stores selling Lucyd Lyte primarily located within in the United States and Canada, across just over 300 unique wholesale accounts. Canada. Based on the existing demand for our products, current distribution, and recently consummated supply agreements, we anticipate that our products will be available in a significant number of new third-party retail locations in 2024.

We expect this number to gradually increase as we continue to improve our product, roll out our co-op marketing program and introduce more of our modular display systems into retail stores, to facilitate customer education and product sell-through. The Company has consistently introduced its products in dozens of new points of sale every quarter; however, we expect a more notable increase with the rollout of our *Powered by Lucyd* branded products over the next year. The introduction of fashion-branded products from our partnerships with Nautica, Eddie Bauer, and Reebok are expected to significantly increase our retail store presence due to the popularity and built-in following of these brands, particularly Nautica which has a large audience for their traditional eyewear, and Eddie Bauer due to their large US brick-and-mortar retail presence.

Customer Ratings (B2C)

The Lucyd Lyte version 2.0 product is receiving higher ratings online compared to our previous products, indicating that customers are appreciative of improvements in product design, functionality, and build quality. Many of our version 2.0 Lyte XL variants carry a 4.0/5 rating or higher, compared to most products with an approximate 3.5/5 rating from our previous collection. higher. This is a strong signal of positive feedback on our products that indicates our ability to grow and scale with America's largest online retailer and other platforms.

Number of online orders (B2C)

For our e-commerce business, we track the number of online orders as an indicator of the success of our online marketing efforts. As of September 30, 2023 March 31, 2024, we had 17,173 over 20,000 cumulative total orders from customers online since inception, up from a cumulative total of 10,435 as of September 30, 2022. inception. We believe that the addition of new styles, as well as further investment in brand awareness, product ambassadors, and influencer campaigns, will enable continued growth of online orders in the foreseeable future. We expect to allocate a significant portion of our advertising expenditures towards influencer marketing programs.

Components of Results of Operations

Net Revenue Revenues

Our revenue is generated from the sales of prescription and non-prescription optical glasses and sunglasses, and shipping charges associated with these purchases, which are charged to the customer, associated with these purchases. customer. We sell products through our retail store resellers, distributors, on our own website Lucyd.co, and on Amazon.com.

Our newest flagship product line increased in price with the launch of the version 2.0 models, from $149 to $199 Lucyd Lyte XL brand frames are priced at $179 on acetate models and $179 to $229 $199 on titanium models for non-prescription glasses across all of our online channels. In addition, we have introduced a minimum advertised price on the new models of $139 and $159, respectively, to support our retail partners with guaranteed minimum pricing.

When adding a prescription lens upgrade to our glasses on the Lucyd.co website, the price can increase from between $40 for a basic clear prescription lens, all the way up to $450 $449 for the latest Transitions® our proprietary Blueshift transitional blue light lenses in a progressive lens. high index (ultra-thin) format. Glasses with prescription lenses are only available provided by the Company through our website Lucyd.co, while our sales through Amazon and to our retail e-commerce partners only include non-prescription glasses with (with rare exceptions, such as a reseller ordering a customized unit for display purposes. purposes).

U.S. Lucyd.co consumers enjoy free USPS first class postage on orders over $149, with faster delivery options available for extra cost, for sales processed through our website. For Amazon sales, shipping is free for U.S U.S. consumers while international customers pay shipping charges. Any costs associated with fees charged by the online platforms (Shopify for our Lucyd.co website and Amazon) Amazon.com) are not recharged to customers. We charge applicable state sales taxes for both online channels and all other marketplaces on which we sell.

Our wholesale pricing for eyewear sold to retail store partners and distributors includes volume discounts, due to the nature of large quantity orders. The pricing includes shipping charges, while excluding any state sales tax charges applicable. does not include shipping. Due to the nature of wholesale retail orders, no e-commerce marketplace fees are applicable. applicable, only credit card processing fees.

Cost of Goods Sold

Cost of goods sold includes the costs incurred to acquire materials, assemble, and sell our finished products.

For retail sales placed on through one of our e-commerce channels, these costs include (i) product costs held stated at the lesser of cost and net realizable value and inclusive of inventory reserves, (ii) freight, import, and inspection costs, (iii) optical laboratory costs for prescription glasses, (iv) merchant fees, (v) fees paid to third-party e-commerce platforms, and (vi) cost of shipping the product to the consumer.

For wholesale sales, these costs include (i) product costs stated at the lesser of cost and net realizable value and inclusive of inventory reserves, (ii) freight, import, and inspection costs, and (iii) credit card fees.

When consumers place their orders directly on our online store, website, we save approximately 12-15% 12% - 15% on marketplace fees than when consumers place their compared with orders directly from placed through third-party platforms like Amazon and eBay.

We expect our cost of goods sold to fluctuate as a percentage of net revenue primarily due to product mix, customer preferences and resulting demand, customer shipping costs, and management of our inventory and merchandise mix.

Over time, we expect our total cost of goods sold on a per unit basis to decrease as a result of an increase in scale. Increase in scale is achieved as a result of increase in volumes from both business to consumer and business to business (retail store) orders. We continue to expand our products with line extensions and new models and broaden our presence in retail stores carrying our products.

Gross Profit and Gross Margin

We define gross profit as net revenues revenue less cost of goods sold. Gross margin is gross profit expressed as a percentage of net revenues. revenue.

Our gross margin may fluctuate in the future based on a number of factors, including the cost at which we can obtain, transport, and assemble our inventory, the rate at our vendor network expands, and how effective we can be at controlling costs in any given period.

We Over time, we anticipate that our cost of goods sold, on a per unit basis, will decrease with scale, and this will likely have a positive impact on our gross margins.

Gross margins in 2022 and the first half of 2023 were adversely impacted by supply chain challenges with our previous manufacturer. We received a high number of defective frames in 2022 despite our rigorous inspection procedure, which involves a third-party inspection agency reviewing 100% of new units as they come off the production line, testing every pair of glasses for sound quality and basic functionality. Despite this, a large number of inaccurately-tested frames made it to our customers, precipitating a large number of replacement units and lenses which negatively impacted margins. To address this problem, we immediately underwent a new manufacturer search program in 2022 which we believe yielded two higher-quality factories, that are now producing all of our glasses to a higher quality standard. These issues were resolved and remediated by the end of the second quarter of 2023, and we do not expect such impacts on our gross margins going forward.

Additionally, in late 2022, the cost of nearly all lenses produced by our supplier increased by approximately 10% from previous levels, which adversely impacted our gross margins in 2023; we do not anticipate similar increases in the cost of lenses in the foreseeable future

Operating Expenses

Our operating expenses consist primarily of:

- general & and administrative expenses that primarily include primarily payroll and consulting and payroll expenses, IT & software, legal, and other administrative expense; expenses;
- sales and marketing expenses including cost of online and TV advertising, marketing agency fees, influencers, trade shows, and other initiatives;
- related party management fees for a range of back-office services and occupancy costs provided by Tekcapital LLC; Tekcapital; and
- research and development expenses related to (i) development of new styles and features of our smart eyewear, (ii) development and improvement of our e-commerce website, and (iii) development of our Vyrb social media app for wearables.

Interest and Other Income, Net

Interest and other income, net, primarily includes interest, dividends, and investment returns from our investments in money market funds and U.S. Treasury bills, as well as interest income and interest expense paid on convertible note loan due to the Parent.

Provision for Income Taxes

Provision for income taxes consists of income taxes related to foreign and domestic federal and state jurisdictions in which we conduct business, adjusted for allowable credits, deductions, and valuation allowance against deferred tax assets. loans with related parties.

Results of Operations

Three Months Ended September 30, 2023 and 2022

The following table summarizes our results of operations for the three months ended September 30, 2023 March 31, 2024 (the "current quarter") and the three months ended September 30, 2022 March 31, 2023 (the "prior year quarter"):

	Three months ended March 31, 2024		Three months ended March 31, 2023		Change	
Revenues, net	$ 383,471	100 %	$ 144,921	100 %	$ 238,550	*165 %*
Less: Cost of Goods Sold	(376,520)	98 %	(134,630)	93 %	(241,890)	*180 %*
Gross Profit	**6,951**	2 %	**10,291**	7 %	**(3,340)**	*-32 %*

Operating Expenses:						
General and administrative	(1,108,946)	289%	(993,772)	686%	(115,174)	*12%*
Sales and marketing	(661,295)	172%	(259,297)	179%	(401,998)	*155%*
Research and development	(216,301)	56%	(151,169)	104%	(65,132)	*43%*
Related party management fee	(35,000)	9%	(35,000)	24%	-	*0%*
Total Operating Expenses	**(2,021,542)**	527%	**(1,439,238)**	993%	**(582,303)**	*40%*
Other Income (Expense)	43,280	-11%	76	0%	43,204	*n/m*
Interest Expense	-	0%	(1,939)	1%	1,939	*-100%*
Total Other Income (Expense), net	**43,280**	-11%	**(1,863)**	1%	**45,143**	*n/m*
Net Loss	**$ (1,971,311)**	514%	**$ (1,430,810)**	987%	**$ (540,501)**	*38%*

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	Three months ended September 30, 2023	% of Revenues	Three months ended September 30, 2022	% of Revenues	Change between the three months ended September 30, 2023 and 2022	*% Change*
Revenues, net	$ 221,875	100 %	$ 151,957	100 %	$ 69,918	*46 %*
Less: Cost of Goods Sold	(141,531)	64 %	(129,092)	85 %	(12,439)	*10 %*
Gross Profit	**80,344**	36 %	**22,865**	15 %	**57,479**	*251 %*
Operating Expenses:						
General and administrative	(915,537)	413 %	(479,983)	316 %	(435,554)	*91 %*
Sales and marketing	(533,902)	241 %	(568,901)	374 %	34,999	*-6 %*
Research & development	(192,701)	87 %	(304,691)	201 %	111,990	*-37 %*
Related party management fee	(35,000)	16 %	(35,000)	23 %	-	*0 %*
Total Operating Expenses	**(1,677,140)**	756 %	**(1,388,575)**	914 %	**(288,565)**	*21 %*
Other Income (Expense)	45,691	-21 %	(735)	0 %	46,426	*-6316 %*
Interest Expense	-	0 %	(37,876)	25 %	37,876	*-100 %*
Total Other Income (Expense), net	**45,691**	-21 %	**(38,611)**	25 %	**84,302**	*-218 %*
Net Loss	**$ (1,551,105)**	699 %	**$ (1,404,321)**	924 %	**$ (146,784)**	*10 %*

Revenue

Revenues

Our revenues for the three months ended September 30, 2023 March 31, 2024 were $221,875, $383,471, representing an increase of approximately 46% 165% as compared to revenues of $151,957 $144,921 during the three months ended September 30, 2022 March 31, 2023. The increase in revenue was primarily attributable to significant growth in the wholesale e-commerce channel, largely driven by our significant investments in advertising and marketing initiatives during the latter portion of 2023 and through the current quarter, combined with our net wholesale revenues increasing recent new product launches (including the Lyte XL and Nautica® *Powered by approximately 72% over the prior year quarter as we continue to add new independent optical stores as retail partners and grow our distribution network. Lucyd* collections). Net sales through Amazon our Lucyd.co website and our website also Amazon.com grew significantly by more than 400% and over 150%, respectively, from the prior year quarter, increasing by approximately 59% and 26%, respectively. However, the aforementioned increases were quarter. This growth in e-commerce sales was partially offset by significant price discounts we granted in the current quarter, in order to respond to aggressive discounts offered by key competing products, and to support our continued market share growth. Additionally, our revenues for the current quarter were somewhat negatively impacted by a slight decrease in spending on marketing by the Company compared to

Wholesale revenue decreased approximately 72% from the prior year quarter, due largely driven by a change in our focus from small, independent retailers to major national retailers, the latter of which have slower product approval and purchasing cycles. However, we believe that focusing on introducing our decision to preserve more of our marketing budget for product in major national retailers will have a significant positive impact on the fourth quarter of 2023, Company's revenues in order to align with the October 2023 announcement of our significantly improved Lyte XL collection.

On a sequential quarter basis, our current quarter net revenues grew approximately 31% from the three months ended June 30, 2023, after growing approximately 17% from the three months ended March 31, 2023 to the three months ended June 30, 2023. next 6-24 months.

For the three months ended September 30, 2023 March 31, 2024, approximately 42% 67% of sales were processed on our online store (Lucyd.co), 29% on Amazon.com, and 29% 4% with reseller partners. This sales channel mix negatively positively impacted our revenue for the current quarter as compared with the prior year quarter, due to the fact we charge an additional $35 to $275 for our prescription lenses available only on Lucyd.co, and that channel represented a higher proportion of our total product sales in the prior year quarter than in the current quarter. Lucyd.co. For the three months ended September 30, 2023 March 31, 2024, we generated $187,086 an aggregate of $272,742 of revenue from sales of non-prescription frames and accessories, and $34,789 $110,729 from sales sale of frames with prescription lenses. All of the $63,027 $113,619 in sales generated on Amazon.com during the current quarter were for non-prescription frames and accessories, as we only offer prescription lenses through our website. Of the $93,704 $255,920 in online sales generated through Lucyd.co, $34,789 $110,729 was related to frames with prescription lenses and $58,915 $145,191 was related to glasses with non-prescription lenses. E-commerce sales remain to be the most material portion of our sales to date.

For the three months ended September 30, 2022 March 31, 2023, approximately 49% 35% of sales were processed on our online store (Lucyd.co), 26% 31% on Amazon.com, and 25% 34% with retail store reseller partners. For the three months ended September 30, 2022 March 31, 2023, we generated $91,661 $33,350 of revenue from sales of non-prescription frames and $22,706 accessories and $16,918 was generated from sales of frames with prescription lenses. All of the $33,432 $45,045 in sales generated on Amazon.com during the period were for non-prescription frames and accessories as we only offer prescription lenses through our website. Of the $80,934 $50,268 in online sales generated through Lucyd.co, $22,706 was $16,918 related to frames with prescription lenses and $58,228 was related to $33,350 of glasses sold were with non-prescription lenses.
Over time, we expect third-party retail stores will become our primary sales channel as we onboard additional stores, while the online portion of our sales will gradually decrease on a percentage basis but remain an important component of our total sales. We currently have a retail store presence in approximately 350 stores.

Cost of goods sold Goods Sold

Our total cost of goods sold increased to $141,531 $376,520 for the three months ended September 30, 2023 March 31, 2024, as compared to $129,092 $134,630 for the prior year quarter. This year-over-year increase of 180% was primarily driven by increased cost of lenses and frames largely as a result of the increase in higher sales volumes during the current quarter as compared with the prior year quarter. The Cost of frames increased by approximately 150% from the prior year quarter, which was generally in-line with (although slightly lower than) the increase in net sales from the cost prior year quarter, both proportionally and on an absolute dollar basis.
Cost of lenses was also increased by more than 300% from the prior year quarter, mainly driven by (i) a 10% increase in the production cost combination of lenses sourced through supplier in late 2022, and (ii) (i) the introduction of our new proprietary blueshift Blueshift premium lenses in August 2023, which are more expensive than other lenses to produce. These produce, and (ii) sales channel mix, as a higher relative proportion of our sales in the current quarter were through our online store (Lucyd.co), and the cost increases were partially offset by the fact that the prior year quarter of prescription lenses attributable to this channel increased our cost of goods sold included significant write-offs while not impacting cost of damaged inventory, related to product quality and supply chain issues in 2022 that have since been remediated and resolved. Smart eyewear is a highly specialized product that has the combined specifications and component requirements of a wireless Bluetooth headset and optical eyewear in one, meaning it is expensive to manufacture in small quantities of a few thousand at a time. As demand and awareness goods sold for smart eyewear continues to grow over time, the Company expects that its per unit cost will decrease as its order volumes increase. sales realized through Amazon or retail store partners.

Cost of goods sold for the three months ended September 30, 2023 March 31, 2024 included but was not limited to the cost of frames of $79,410; $184,978; cost of prescription lenses incurred with our third-party vendor of $76,346; and other items including $103,069; commissions, affiliate referral fees, and e-commerce platform fees commissions, of $42,826; shipping and custom duties logistics costs of $15,914; and importation fees for a total quality assurance costs related to our products sold of $(14,225). $4,238. Out of $141,531 $376,520 of our total cost of goods sold for the current quarter, $103,069 related to orders with prescription lenses, while $273,451 pertained to non-prescription orders.

Cost of goods sold for the three months ended March 31, 2023 included the cost of frames of $73,798; cost of prescription lenses incurred with our third-party vendor of $22,123; commissions, affiliate referral fees, and e-commerce platform fees of $18,696; shipping and logistics costs of $8,313; and quality assurance costs related to our products sold of $11,700. Out of $134,630 of our total cost of goods sold for the three months ended September 30, 2023 March 31, 2023, $76,346 $22,123 related to orders with prescription lenses, while $65,185 $112,507 pertained to non-prescription orders.

Cost Also, during the current quarter we incurred approximately $29,000 of goods sold for product certification costs to support the three months ended September 30, 2022 included the cost of frames of $89,768; cost of prescription lenses incurred with our third-party vendor of $15,482; and affiliate referral fees, sales commission expense, and e-commerce platform fees of $23,719. Of our total cost of goods sold for the prior year quarter, $15,482 related to orders with prescription lenses, while $113,610 pertained to non-prescription orders.

Over time, we expect third-party retail stores will become our primary sales channel as we onboard additional stores, while the online portion expansion of our product sales will remain an important component of our total sales. Consequently, we expect sales of prescription lenses offered through our website to decrease, as our third-party retail partners outfit our Lyte frames with more prescriptions. in jurisdictions outside the U.S.

We anticipate further growth in both wholesale and e-commerce channel sales for the remainder of 2023 and heading into 2024, and we in 2024. We also expect corresponding growth in total cost of goods sold, primarily from increases in core additional product costs due to licensed brand royalties, and the addition of more expensive materials such as recycled packaging, improved hardware, and improved electronic components. We believe this growth will be attributable to several factors: our products related costs. As we continue to improve refine our product mix with each successive launch, notably sales data, we anticipate reducing our unit costs by focusing only on the highest volume, market-tested styles. We have also launched new Lucyd Shift and Lucyd Blueshift transitional lenses in terms place of comfort and sound quality; consumer awareness branded third-party transitional lenses, offering similar functionality for a lower cost of goods, while also enabling a slightly lower cost to the customer. Additionally, we have been informed by key suppliers that significant price reductions over 10% are possible as we continue to scale our category continues to grow with smart eyewear sales overall increasing every year; and finally, the Company is deploying new marketing efforts focused heavily on influencer content which we believe will better inform consumers about our products. production quantities.

Gross profit Profit

Our gross profit for the current quarter was $80,344 $6,951, as compared to $10,291 for the prior year quarter. Our gross margin was 2% and 7% in the current quarter and prior year quarter, respectively.

This decline in gross profit and gross margin was primarily attributable to the aforementioned increase in the cost of lenses. While we have started to realize some economies of scale in the cost of frames, and in the area of shipping and logistics, the cost of prescription lenses has grown disproportionately and significantly more than our revenue, which has had a significant negative impact on our gross profit margin. Prescription smart eyewear offered direct-to-consumer has been a key unique selling point used to attract new customers, bringing an important marketing benefit since it is not offered by most of our competitors. We are working with our current prescription lens provider to explore opportunities to reduce costs and we are also actively in discussions with alternative prescription lens suppliers whom we believe may help further lower our lens fulfilment costs. Ultimately, we believe that the majority of our business will come from frame sales to distributors and eyewear retailers, who will outfit lenses themselves for the final customer. We anticipate that the launches of more co-branded products later this year will help us progress towards our long-term goal of shifting our sale mix over time more towards the wholesale channel, which carries higher margins for us as such sales to our third-party retail store partners do not include the cost of prescription lenses.

Also, during the current quarter we incurred approximately $29,000 of product certification costs to support the expansion of our product sales in jurisdictions outside the U.S.

Operating Expenses

Our operating expenses increased by 40% to $2,021,542 for the three months ended September 30, 2023 March 31, 2024, as compared to $22,865 for the prior year quarter. This increase was primarily due to the combination of (i) increased sales during the current quarter, and (ii) the fact that the prior year quarter cost of goods sold included significant write-offs of damaged inventory related to product quality and supply chain issues in 2022, that have since been remediated and resolved and thus did not recur in the current quarter. These factors were partially offset by significant discounts offered during the current quarter in order to help drive unit sales and grow our market share.

We expect gross profit for the fiscal year ending December 31, 2023 to improve, primarily due to economies of scale from large, anticipated wholesale / retail partner orders. Although we expect retail stores to become our primary sales channel as we onboard new stores, we also expect our overall gross margin to be better than that of the wholesale channel, since profitability per unit is typically higher with direct-to-consumer orders.

Operating expenses

Our operating expenses increased by 21% to $1,677,140 $1,439,238 for the three months ended September 30, 2023, as compared to $1,388,575 for the three months ended September 30, 2022 March 31, 2023. This increase was primarily due to the continued investments in the future growth and development of our business and included, but was not limited to, the following:

General and administrative expenses

Our general and administrative expenses increased by 91% 12% to $915,537 $1,108,946 for the three months ended September 30, 2023 March 31, 2024, as compared to $479,983 $993,772 for the prior year quarter. This increase was largely driven by the combination of (i) an increase in employee-related costs, resulting from increases in our staffing and new employment additional team members, (ii) the cost of various licensing agreements we have entered into with executives in the latter portion of 2022, order to support our co-branding initiatives and (ii) increased costs associated with being a publicly-traded company, including but not limited expand our patent portfolio, which are assessed annually in January, and (iii) higher legal expenses. We expect our general and administrative expenses to directors' remuneration, insurance expenses, legal, accounting and public and investor relations. be lower in future quarters due to certain one-time fees this quarter.

Sales and marketing expenses

Our sales and marketing expenses decreased increased by 6% 155% to $533,902 $661,295 for the three months ended September 30, 2023 March 31, 2024, as compared to $568,901 $259,297 for the three months ended September 30, 2022. While we continued our ongoing efforts to further develop the Company's brand presence and awareness across all of our sales channels, the slight decrease in expense was mainly attributable to management's tactical decision to adjust the timing of certain marketing spend in order to optimize its reach and impact. The Company launched a new e-commerce website in the first half of 2023, and has been working to refine the user journey and maximize conversion rate, in order to enhance the results of current and future marketing initiatives. In the third quarter of 2023, this strategy began to bear fruit as the conversion rate of the website improved significantly from an average of 0.14% in the second quarter of 2023 to 0.23% in the third quarter of 2023. This indicates over a 50% improvement in the ratio of site visitors to purchasers, and reduced acquisition cost per sale in our primary channel. As such, we preserved a portion of our marketing budget which would have otherwise been spent in the current quarter, in order to utilize those funds in the fourth quarter of 2023 with a better converting website, aligning with the October 2023 announcement of our significantly improved Lyte XL collection, and the upcoming launch of the Nautica *Powered by Lucyd* product line.

We anticipate these costs to further increase as we continue to invest in and build our brand, expand the number of e-commerce platforms on which we sell our products, invest in retail store co-op marketing programs to help educate our in-store customers about Lucyd Lytes, and increase our brand's physical presence and role in the eyewear industry.

Research and development costs

Our research and development costs decreased by 37% to $192,701 for the three months ended September 30, 2023, as compared to $304,691 for the three months ended September 30, 2022 March 31, 2023. This decrease was primarily attributable to the allocation of stock-based compensation expense, and product development cycle timing.

Related party management fee

Our related party management fee was $35,000 for each of the three months ended September 30, 2023 and 2022, based on the terms of the management services agreement between us and an affiliate of our Parent.

Other income (expense)

Total other income (expense), net in the three months ended September 30, 2023 was $45,691. This amount was primarily comprised of interest, dividends, and investment returns from our investments in money market funds and U.S. Treasury bills.

Total other income (expense), net in the three months ended September 30, 2022 was $(38,611), and was primarily comprised of interest expense on intercompany financing from the Parent and Affiliates in the form of borrowings under a convertible note. The convertible notes were repaid in full during the nine months ended September 30, 2023, and there were no amounts remaining outstanding under such convertible notes as of September 30, 2023.

Nine Months Ended September 30, 2023 and 2022

The following table summarizes our results of operations for the nine months ended September 30, 2023 (the "current year period") and the nine months ended September 30, 2022 (the "prior year period"):

	Nine months ended September 30, 2023		Nine months ended September 30, 2022		Change between the nine months ended September 30, 2023 and 2022	
Revenues, net	$ 536,725	100 %	$ 592,720	100 %	$ (55,995)	-9 %
Less: Cost of Goods Sold	(475,906)	89 %	(452,218)	76 %	(23,688)	5 %
Gross Profit	**60,819**	11 %	**140,502**	24 %	**(79,683)**	-57 %
Operating Expenses:						
General and administrative	(2,877,663)	536 %	(1,797,091)	303 %	(1,080,572)	60 %
Sales and marketing	(896,842)	167 %	(1,545,615)	261 %	648,773	-42 %
Research & development	(541,348)	101 %	(393,058)	66 %	(148,290)	38 %
Related party management fee	(105,000)	20 %	(105,000)	18 %	-	0 %
Total Operating Expenses	**(4,420,853)**	824 %	**(3,840,765)**	648 %	**(580,088)**	15 %
Other Income (Expense)	93,353	-17 %	(3,293)		96,646	n/m
Interest Expense	(3,036)	1 %	(101,137)	17 %	98,101	-97 %
Total Other Income (Expense), net	**90,317**	-17 %	**(104,430)**	18 %	**194,747**	-186 %
Net Loss	**$ (4,269,717)**	796 %	**$ (3,804,692)**	642 %	**$ (465,025)**	12 %

Revenue

Our revenues for the nine months ended September 30, 2023 were $536,725, representing a decrease of approximately 9% as compared to revenues of $592,720 during the prior year period. The decline in revenue was primarily attributable to significant discounts offered during the current year period in order to help drive unit sales and grow our market share, which accounted for slightly more than half of the total revenue decline. Key competing products, including the Amazon Echo Frames, Ray Ban Stories, and Bose Frames, dropped their prices to or below the price point of Lucyd frames during temporary and extended discount sales; the power of these recognizable brands coupled with aggressive discounting meant that the competitive landscape was more saturated than in the prior year. To help respond to the ramp-up in the competition's discounts, we introduced several promotions in 2023 to support our continued market share growth. The decline in revenue was also partially attributable to lower revenues generated through the wholesale sales channel, due in large part to a significant one-time sale to a retail store reseller / distributor in the prior year period, which was non-recurring in the current year period. The imminent diversification of our products with the *Powered by Lucyd* lines coming in 2024 is expected to reduce the need for discounting to support customer acquisition due to the global renown of the Nautica, Eddie Bauer, and Reebok brands. We also believe these new brands will cause many existing customers to repurchase with minimal marketing expenses.

For the nine months ended September 30, 2023, approximately 37% of sales were processed on our online store (Lucyd.co), 32% on Amazon.com, and 31% with reseller partners. This sales channel mix positively impacted our revenue for the current year period as compared with the prior year period, due to the fact we charge additional $35 to $275 for our prescription lenses available only on Lucyd.co. For the nine months ended September 30, 2023, we generated $454,233 of revenue from sales of non-prescription frames and accessories, and $82,492 from sales of frames with prescription lenses. All of the $170,284 in sales generated on Amazon.com during the current year period were for non-prescription frames and accessories as we only offer prescription lenses through our website. Of the $193,591 in online sales generated through Lucyd.co, $82,492 was related to frames with prescription lenses and $111,099 was related to glasses with non-prescription lenses. E-commerce sales are the most material portion of our sales to date.

For the nine months ended September 30, 2022, approximately 34% of sales were processed on our online store (Lucyd.co), 29% on Amazon.com, and 37% with reseller partners. For the nine months ended September 30, 2022, we generated $460,073 of revenue from sales of non-prescription frames and $95,057 of revenue from sales of frames with prescription lenses. All of the $175,269 in sales generated on Amazon during the prior year period were for non-prescription frames as we only offer prescription lenses through our website. Of the $197,437 in online sales generated through Lucyd.co, $95,058 related to frames with prescription lenses and $102,380 related to glasses sold were with non-prescription lenses.

Despite the decline in net revenues in the current year period as compared with the prior year period, which was largely attributable to manufacturing and shipping delays experienced during the first quarter of 2023, we have made significant progress in recovering from a slow start to the year. On a sequential quarter basis, our revenues grew approximately 17% from the first quarter of 2023 to the second quarter of 2023, and grew approximately 31% from the second quarter of 2023 to the third quarter of 2023. In addition, there have been several notable advances in our technology products and partnerships which speak to the potential to grow revenues well beyond the current level:

- Key hardware improvements include the development of a new proprietary four-speaker audio temple for the Lucyd Lyte flagship line, the increase in battery life of all of our flagship to 12 hours of playback, which is longer than the vast majority of wireless audio products, and design improvements to the frames overall that were the result of hiring two new expert eyewear designers.
- The Company's new proprietary modular video display system has been helpful in winning new retailers and is expected to increase sell-through in reseller locations.
- The introduction of the Lyte XL capsule collection in October 2023, which brought several key improvements including better audio, thinner temples, and flexible hinges for maximum comfort and auto-adjustability.
- Key software improvements include the development of the first-ever voice interface for ChatGPT on a wearable device with the new Lucyd app, and of several updates to the Vyrb app including a live broadcasting feature, the ability to import any form of audio content into Vyrb to support the migration of existing audio content creators to the platform, and the introduction of the Company's Digital Try-on Display into dozens of retail stores, to offer an immersive product experience for in-store shoppers at our partner locations.
- Our partnership with Authentic Brands Group, which provides us with the right to use the Nautica, Eddie Bauer, and Reebok brands, foretells significantly improved consumer adoption, due to the global popularity of these brands and existing traditional eyewear customers who already buy eyewear under these three brands. The anticipated upcoming launch of the Nautica *Powered by Lucyd* line in the first quarter of 2024, made possible by the exclusive agreement with Authentic Brands Group, represents significant revenue potential. We intend to partner with Nautica-branded sales channels and expect to be able to increase our presence in other retail channels via the Nautica brand, a household name in dozens of countries. We anticipate rolling out our Nautica *Powered by Lucyd* line on Nautica.com and in Nautica stores in early 2024.

Over time, we expect that the online portion of our sales will gradually decrease on a percentage basis but remain an important component of our total sales as we onboard more retail stores. We currently have a retail store presence in approximately 350 stores, up from 280 stores as of June 30, 2023.

Cost of goods sold

Our total cost of goods sold increased to $475,906 for the nine months ended September 30, 2023, as compared to $452,218 for the nine months ended September 30, 2022. This year-over-year increase is primarily attributable to increased cost of lenses and, to a lesser extent, increased quality assurance inspection costs and higher Amazon fees. The increase in the cost of lenses largely driven by (i) a 10% increase in the production cost of lenses sourced through supplier in late 2022, and (ii) the introduction restructuring of our new proprietary blueshift premium lenses in August 2023, which are more expensive than other lenses to produce. These increases were partially offset by the fact that e-commerce business during the prior year period cost of goods sold included significant write-offs of damaged inventory related to product quality and supply chain issues in 2022 that have since been remediated and resolved.

Smart eyewear is a highly specialized product that has the combined specifications and component requirements of a wireless Bluetooth headset and optical eyewear in one, meaning it is expensive to manufacture in small quantities of a few thousand at a time. As demand and awareness for smart eyewear continues to grow over time, the Company expects that its per unit cost will decrease as its order volumes increase.

Cost of goods sold for the nine months ended September 30, 2023 notably included, but was not limited to, the cost of frames of $215,713; cost of prescription lenses incurred with our third-party vendor of $131,561; affiliate referral fees, sales commission expense, and e-commerce platform fees of $89,346; and quality assurance costs related to our products sold of $11,700.

Cost of goods sold for the nine months ended September 30, 2022 included, but were not limited to, the cost of frames of $285,586; cost of prescription lenses incurred with our third-party vendor of $70,563; and affiliate referral fees, sales commission expense, and e-commerce platform fees of $93,706. Out of our total cost of goods sold for the current year period of $452,218, $79,370 related to orders with prescription lenses, while $372,848 pertained to non-prescription orders.

Over time, we expect third-party retail stores to become our primary sales channel as we onboard additional stores. Consequently, we expect sales of prescription lenses as a proportion of total sales to decrease, as our third-party retail partners outfit our Lyte frames with more prescriptions. As a result, over time we expect prescription lens costs to gradually decrease as a percentage of our overall cost of goods sold. We anticipate growth in both wholesale and e-commerce channel sales in the second half of 2023, and we also expect corresponding growth in total cost of goods sold, primarily from additional product related costs. We believe this growth will be attributable to several factors: our products continue to improve with each successive launch, notably in terms of comfort and sound quality; consumer awareness of our category continues to grow with smartglass sales overall increasing every year; and finally, we are deploying new marketing tactics focused heavily on influencer content quarter, during which we believe will better inform consumers about temporarily paused and postponed our products.

Gross profit

Our gross profit was $60,819 for the nine months ended September 30, 2023, as compared to a gross profit of $140,502 for the prior year period. This decrease was primarily due to the combination of the aforementioned significant discounts offered during the current year period in order to help drive unit sales and grow our market share, and the aforementioned significant cost of prescription lenses during the current year period, partially offset by slightly lower cost of frames.

We expect gross profit for the fiscal year ending December 31, 2023 to improve, primarily due to economies of scale from large, anticipated wholesale / retail partner orders. Although we expect retail stores to become our primary sales channel as we onboard new stores, we also expect our overall gross margin to be better than that of the wholesale channel, due to a typical higher per-unit profitability on direct-to-consumer channels.

Operating expenses

Our operating expenses increased by 15% to $4,420,853 for the nine months ended September 30, 2023, as compared to $3,840,764 for the nine months ended September 30, 2022. This increase was primarily due to the continued investments in the future growth and development of our business and included, but was not limited to, the following:

General and administrative expenses

Our general and administrative expenses increased by 60% to $2,877,663 for the nine months ended September 30, 2023, as compared to $1,797,091 for the nine months ended September 30, 2022. This increase was primarily attributable to (i) increased costs associated with being a publicly-traded company, including but not limited to directors' remuneration, insurance expense, and public and investor relations, which resulted in an increase in expense of approximately $430,000, and (ii) an increase of approximately $477,000 in employee-related costs, resulting from increases in our staffing and new employment agreements entered into with executives in the latter portion of 2022. The increase in general and administrative expenses was also partly attributable to an increase in legal costs of approximately $125,000 over the prior year period, and higher depreciation and amortization expense, which increased by approximately $46,000 from the prior year period.

Sales and marketing expenses

Our sales and marketing expenses decreased by 42% to $896,842 for the nine months ended September 30, 2023, as compared to $1,545,615 for the nine months ended September 30, 2022. The decrease was primarily due to (i) the reversal of approximately $309,000 of previously-recognized stock-based compensation for certain individuals within the Company's sales and marketing function whose awards expired without ever having vested, as the related performance conditions (sales quotas) for those awards were not met, and (ii) a temporary pause and postponement on marketing spending, during the first quarter of the 2023 while the Company restructured its e-commerce business, along with management's and management made a tactical decision to preserve a significant portion of our marketing budget for later in the year, in order to better align the timing of marketing spending with major new product launches and thus maximize impact. In the latter portion of 2023 and continuing through the current quarter, we have significantly increased our advertising and marketing efforts, particularly in the areas of spending on paid ads on websites and social media platforms, in order to drive growth in our revenues and market share.

We anticipate our marketing costs to increase as we continue to invest in and build our brand, expand the number of e-commerce platforms on which we sell our products, invest in retail store co-op marketing programs to help educate our in-store customers about our products, and increase our brand's physical presence and role in the eyewear industry.

Research and development costs

Our research and development costs increased by 38% 43% to $541,348 $216,301 for the nine three months ended September 30, 2023 March 31, 2024, as compared to $393,058 $151,169 for the nine three months ended September 30, 2022 March 31, 2023.

This increase was primarily attributable to a large number of additional resources added to the team for app development, and new temple and frontplate molds as we expand our core offering, an expansion mold costs associated with the creation of the Company's software initiatives to include the Lucyd app, safety and therefore increased the portion of the work hours spent by the CEO and CTO (as well as a portion of their stock-based compensation expense) on new software development on the Vyrb app, the new Lucyd app, and our glasses, as well as the hiring of an additional full-time software engineer to support our CTO. Some planned features for our Lucyd app include the ability to access AI other than ChatGPT, the addition of an audio content library for users to enjoy, and further enhancements to the core AI functionality. In terms of the Vyrb app, we are planning launching a full peer-to-peer content marketplace in the style of Patreon, but with a focus on audio and content designed on and for wearables. sport (Reebok) product format.

Related party management fee

Our related party management fee was $105,000 $35,000 for each of the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, based on the terms of the management services agreement between us and an affiliate of our Parent. Tekcapital.

Other income (expense) Income (Expense), net

Total other income (expense), net in the nine three months ended September 30, 2023 March 31, 2024 was $90,317, and $43,280. This amount was primarily comprised of the combination of (i) approximately $52,000 of interest, dividends and investment returns from our investments in money market funds, and, U.S. Treasury bills; and (ii) approximately $35,000 of refunds of certain amounts that had been previously charged to the Company from the Parent and Affiliates in prior periods. a lesser extent, interest income earned on a short-term loan to a related party.

Total other income (expense), net in the nine three months ended September 30, 2022 March 31, 2023 was $(104,430) $(1,863), and was primarily comprised of interest expense on intercompany financing from the Parent and Affiliates a related party in the form of borrowings under a convertible note. The convertible notes were note, which was repaid in full during the nine months ended September 30, 2023, and there were no amounts remaining outstanding under such convertible notes as of September 30, 2023. prior year quarter.

Liquidity and Capital Resources

Cash Flow Data:

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended March 31, 2024	Three months ended March 31, 2023
Net cash flows from operating activities	$ (4,630,320)	$ (2,106,826)	$ (1,467,355)	$ (1,362,443)
Net cash flows from investing activities	(2,208,678)	(155,428)	(95,538)	(136,960)
Net cash flows from financing activities	7,151,557	7,158,751	(75,988)	1,358,122
Net Change in Cash	**$ 312,559**	**$ 4,896,497**	**$ (1,638,881)**	**$ (141,281)**

Net cash flows used in operating activities for the nine three months ended September 30, 2023 March 31, 2024 are primarily reflective of our net loss for the period, resulting from our operating costs to support and grow our business, including employee-related costs, sales and marketing, and research and development, and various costs associated with being a publicly-traded company. Additionally, our operating asset levels grew significantly as we have procured additional inventory to position us for future anticipated sales growth. development.

Net cash flows used in investing activities for the nine three months ended September 30, 2023 March 31, 2024 are primarily mainly related to the investment of a portion of the proceeds from our recent capital-raising activities, in order to generate a return on those funds until they are needed, while also maintaining appropriate liquidity levels. Net cash flows from investing activities also reflect the continuing growth and expansion of our patent portfolio.

Net cash flows provided by used in financing activities for the nine three months ended September 30, 2023 March 31, 2024 are mainly driven by the various capital-raising activities undertaken during payment to Tekcapital and affiliates for services provided under related party agreements.

Registered Direct Offering

On May 1, 2024, the current year period, including our second public Company closed on a registered direct offering completed of 4,200,822 shares of its common stock and, in June 2023, a concurrent private placement, warrants to purchase up to 4,200,822 shares of common stock at an exercise price of $0.244 per share, for a combined purchase price per share and exercises warrant of $0.244. In exchange, the Company received approximately $1.0 million of gross proceeds, before deducting placement agent fees and expenses. In addition, the Company issued to the placement agent warrants to purchase up to 315,062 shares of common stock at an exercise price of $0.305 per share. The net proceeds received by stockholders earlier in the year. Company from this transaction amounted to approximately $732,000. We intend to use the net proceeds of this offering primarily for working capital and general corporate purposes.

Other Factors

We expect that operating losses could continue in the foreseeable future as we continue to invest in the expansion and development of our business. We believe our existing cash and cash equivalents as well as (including the proceeds from the aforementioned May 2024 registered direct offering), plus planned future sales of our various capital-raising activities undertaken in the nine months ended September 30, 2023 (including common stock through our second public at-the-market offering in June 2023, as described in Note 9 of the unaudited condensed financial statements), funds available under our existing credit facility, and cash flows from operating activities the availability to borrow funds through the March 2024 related party agreement with Lucyd Ltd., will be sufficient to fund our operations for at least the next twelve months.

However, our future capital requirements will depend on many factors, including, but not limited to, growth in the number of retail store customers, licenses, the needs of our e-commerce business and retail distribution network, expansion of our product and software offerings, and the timing of investments in technology and personnel to support the overall growth of our business. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. There can be no assurances that we will be able to raise additional capital. In the event that additional financing is required from outside sources, we may not be able to negotiate terms acceptable to us or at all. Geopolitical and macroeconomic factors could cause disruption in the global financial markets, which could reduce our ability to access capital and negatively affect our liquidity in the future. If we are unable to raise additional capital when required, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, results of operations, financial condition, and cash flows would be adversely affected.

Off-Balance Sheet Arrangements

As of September 30, 2023 March 31, 2024, we did not have any off-balance sheet arrangements.

Critical Accounting Policies and Significant Developments and Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our financial statements, whichThere have been prepared no material changes in accordance with GAAP. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods, as well as related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities and the amount of revenue and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and any such differences may be material. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

We believe that our application of accounting policies and the significant 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.

Inventory

Our inventory includes purchased eyewear and is stated at the lower of cost or net realizable value, with cost determined on a specific identification method of inventory costing which attaches the actual cost to an identifiable unit of product. 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. No provisions were determined as needed as of September 30, 2023 and December 31, 2022.

As of September 30, 2023 and December 31, 2022, we recorded an inventory prepayment in the amount of $402,255 and $197,750, respectively, related to down payments for eyewear purchased from the manufacturer, prior to shipment of the product that occurred after September 30, 2023 and December 31, 2022, respectively.

Intangible Assets

Intangible assets relate to:

- Internally-developed and licensed utility and design patents. We amortize these assets over the estimated useful life of the patents.
- Capitalized software costs incurred due to development of the Vyrb app. We amortize these assets over the estimated useful life of the software application.

We review our intangible assets for impairment whenever changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

Income Taxes

We are taxed as a C corporation. We comply with Financial Accounting Standards Board (FASB) ASC 740 for accounting for uncertainty in income taxes recognized in a company's financial statements, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. FASB ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition disclosed in our financial statements. We believe that our income tax positions would be sustained Annual Report on audit and do not anticipate any adjustments that would result in a material change to Form 10-K for the Company's financial position. year ended December 31, 2023, which was filed with the SEC on March 25, 2024.

We have incurred taxable losses since inception but are current in our tax filing obligations. We are not presently subject to any income tax audit in any taxing jurisdiction.

Stock-Based Compensation

We account for stock-based compensation to employees and directors in accordance with FASB ASC Topic 718, which requires that compensation expense be recognized in the 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. The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and share price volatility. The expected term of the stock options was estimated based on the simplified method as allowed by Staff Accounting Bulletin 107 (SAB 107).

The share price volatility at the grant date is estimated using historical stock prices based upon the expected term of the options granted, using stock prices of comparably profiled public companies. 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.

Revenue Recognition

Our revenue is generated from the sales of prescription and non-prescription optical glasses, sunglasses, and shipping charges, which are charged to the customer, associated with these purchases. We sell products through our retail store resellers, distributors, and on our own website Lucyd.co and on Amazon.

To determine revenue recognition, we perform the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) we satisfy a performance obligation. At contract inception, we assess the goods or services promised within each contract, determine those that are performance obligations, and assess whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. In instances where the collectibility of contractual consideration is not probable at the time of sale, the revenue is deferred on our balance sheet as a contract liability, and the associated cost of goods sold is deferred on our balance sheet as a contract asset; subsequently, we recognize such revenue and cost of goods sold as payments are received.

All revenue, including sales processed online and through our retail store resellers and distributors, is reported net of sales taxes collected from customers on behalf of taxing authorities, returns, and discounts.

For sales generated through our e-commerce channels, we identify the contract with a customer upon online purchase of our eyewear and transaction price at the manufacturer suggested retail price ("MSRP") for non-prescription, polarized sunglass and blue light blocking glasses across all of our online channels. Our e-commerce revenue is recognized upon meeting of the performance obligation when the eyewear is shipped to end customers. Only U.S. consumers enjoy free USPS first class postage, with faster delivery options available for extra cost, for sales processed through our website and on Amazon. For Amazon sales, shipping is free for U.S consumers while international customers pay shipping charges on top of MSRP. Any costs associated with fees charged by the online platforms (Shopify for Lucyd.co website and Amazon) are not recharged to customers and are recorded as a component of cost of goods sold as incurred. The Company charges applicable state sales taxes in addition to the MSRP for both online channels and all other marketplaces on which the company sells products.

For sales to our retail store partners, we identify the contract with a customer upon receipt of an order of our eyewear through our Shopify wholesale portal or direct purchase order. Our revenue is recognized upon meeting the performance obligation which is delivery of our eyewear products to the retail store and also recorded net of returns and discounts. Our wholesale pricing for eyewear sold to the retail store partners includes volume discounts, due to the nature of large quantity orders. The pricing includes shipping charges, while excluding any state sales tax charges applicable. Due to the nature of wholesale retail orders, no e-commerce fees are applicable.

For sales to distributors, we identify the contract with a customer upon receipt of an order of our eyewear through a direct purchase order and after collectibility of substantially all of the contract consideration is probable. Our revenue is recognized upon meeting the performance obligation, which is delivery of our eyewear products to the distributor and is also recorded net of returns and discounts. Our wholesale pricing for eyewear sold to distributors includes volume discounts, due to the nature of large quantity orders. The pricing includes shipping charges, while excluding any state sales tax charges applicable. Due to the nature of wholesale distributor orders, no e-commerce fees are applicable.

Our sales to both retail partners and through our e-commerce channels do not contain any variable consideration.

We allow our customers to return our products, subject to our refund policy, which allows any customer to return our products for any reason within the first:

- 7 days for sales made through our website (Lucyd.co)
- 30 days for sales made through Amazon
- 30 days for sales to most wholesale retailers and distributors (although certain sales to independent distributors are ineligible for returns)

For all of our sales, at the time of sale, we establish a reserve for returns, based on historical experience and expected future returns, which is recorded as a reduction of sales. Additionally, we review all individual returns received in the month following the balance sheet date pertaining to orders processed prior to the balance sheet date in order to determine whether an allowance for sales returns is necessary. We recorded an allowance for sales returns of $5,234 and $24,897 as of September 30, 2023 and December 31, 2022, respectively.

Shipping and Handling

Costs incurred for shipping and handling are included in cost of revenue at the time the related revenue is recognized. Amounts billed to a customer for shipping and handling are reported as revenues.

Earnings/loss per share

We present earnings and loss per share data by calculating the quotient of earnings/(loss) divided by the weighted average number of common shares outstanding during the period as required by ASC 260-10-50. For the three and nine months ended September 30, 2023 and 2022, all shares underlying the related party convertible debt and common stock options were excluded from the earnings per share calculation, due to their anti-dilutive effect.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for smaller reporting companies.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13(a)-15(b) of the Exchange Act. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as a result of material weaknesses in our internal control over financial reporting, our disclosure controls and procedures were not effective as of September 30, 2023 March 31, 2024.

There was no change in our internal control over financial reporting during the third first quarter of fiscal year 2023 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently the subject of any material pending legal proceedings; however, we may from time to time we may become a party to various legal proceedings arising in the ordinary course of business.

Item 1A. Risk Factors

Other than noted below, thereThere have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, which was filed with the SEC on March 24, 2023 March 25, 2024.

Our failure to meet the continued listing requirements of the Nasdaq Capital Market could result in a delisting of our common stock, which could negatively impact the market price and liquidity of our common stock and our ability to access the capital markets.

On August 4, 2023, we received a written notice from the Listing Qualifications Department of The Nasdaq Stock Market (“Nasdaq”), indicating that the Company is not in compliance with Nasdaq Listing Rule 5550(a)(2), which sets forth the minimum bid price requirement for continued listing on the Nasdaq Capital Market, as the bid price of our common stock had closed below $1.00 per share for 30 consecutive business days. Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), we are provided 180 calendar days to regain compliance with the minimum bid price requirement, or until January 31, 2024. To regain compliance, the closing bid price of our common stock must be at least $1.00 per share for a minimum of 10 consecutive business days during this 180-day period.

If we do not regain compliance with the minimum bid price requirement by January 31, 2024, we may be eligible for an additional 180 calendar day compliance period so long as the Company satisfies the criteria for initial listing on the Nasdaq Capital Market (except the minimum bid price requirement) and the continued listing requirement for market value of publicly held shares, and the Company provides written notice to Nasdaq of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary. In the event that Nasdaq does not believe that the Company will be able to cure the deficiency, or if the Company is not otherwise eligible for the second grace period, Nasdaq will provide written notice to the Company that our common stock is subject to delisting. However, in such event, we may request a hearing before the Nasdaq Hearings Panel, and such request would stay any further suspension or delisting action pending the conclusion of the hearing process and expiration of any extension that may be granted.

The Company intends to closely monitor the closing bid price of its common stock, and consider all available options to remedy the bid price deficiency to regain compliance with the minimum bid price requirement. However, there can be no assurance that the Company will be eligible for the additional 180 calendar day compliance period, if applicable, or that the Nasdaq would grant the Company’s request for continued listing subsequent to any delisting notification, or, if the Company does appeal the delisting determination, that such appeal would be successful, or that the Company will be able to regain compliance with the minimum bid price requirement or maintain compliance with the other Nasdaq listing requirements.

If Nasdaq were to delist our common stock from trading on the Nasdaq Capital Market, a reduction in some or all of the following may occur, each of which could materially adversely impact our stockholders:

- the liquidity and marketability of our common stock,
- the market price of our common stock,
- our ability to obtain financing for the continuation of our operations,
- the number of investors that will consider investing in our securities,
- the availability of information concerning the trading prices and trading volume of our securities, and
- the number of broker-dealers willing to execute trades in shares of our securities.

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

On April 12, 2023, in connection with an individual's cashless exercise of 300,000 stock options, 85,638 shares of common stock were exchanged from that individual in connection with the exercise cost. The 85,638 shares of stock were considered repurchased and retired by the Company during the nine months ended September 30, 2023; the price paid for the shares was $4.40, and the fair value of the shares repurchased was $376,800.None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

None.

Item 6. Exhibits

31.1 10.1	Note Agreement with Lucyd Ltd.
31.1	Certification of Principal Executive Officer of Innovative Eyewear, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer of Innovative Eyewear, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer of Innovative Eyewear, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer of Innovative Eyewear, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

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

	INNOVATIVE EYEWEAR, INC.
	(Registrant)
Date: November 14, 2023 May 14, 2024	By: /s/ Harrison Gross
	Harrison Gross
	Chief Executive Officer
	(Principal Executive Officer)
Date: November 14, 2023 May 14, 2024	By: /s/ Konrad Dabrowski
	Konrad Dabrowski
	Chief Financial Officer
	(Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.1

Exhibit 31.1

CERTIFICATIONS

I, Harrison Gross, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Innovative Eyewear, Inc.;

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

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

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

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

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

Date: November 14, 2023 May 14, 2024

By: /s/ Harrison Gross
Harrison Gross
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Konrad Dabrowski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Innovative Eyewear, Inc.;

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

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

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

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

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

Date: November 14, 2023 May 14, 2024

By: /s/ Konrad Dabrowski
Konrad Dabrowski
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Innovative Eyewear, Inc. (the "Company") for the quarterly period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Harrison Gross, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 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, as amended; and

2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the report.

Date: November 14, 2023 May 14, 2024

By: /s/ Harrison Gross
Harrison Gross
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Innovative Eyewear, Inc. (the "Company") for the quarterly period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Konrad Dabrowski, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 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, as amended; and

2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the report.

Date: November 14, 2023 May 14, 2024

By: /s/ Konrad Dabrowski
Konrad Dabrowski
Chief Financial Officer
(Principal Financial and Accounting Officer)

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.