

## Risk Factors Comparison 2025-03-24 to 2024-03-25 Form: 10-K

**Legend:** **New Text** ~~Removed Text~~ ~~Unchanged Text~~ **Moved Text** **Section**

Our business involves a high degree of risk and uncertainty, including the following. Summary Risk Factors The risk factors described below are a summary of the principal risk factors associated with an investment in us. These are not the only risks we face. You should carefully consider these risk factors, together with the risk factors set forth in detail below and the other reports and documents filed by us with the SEC.

**Risks Related to our Business, Strategy and Industry**

- Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our securities.
- We have a history of losses, and we may be unable to achieve or sustain profitability.
- The optical industry is highly competitive, and if we do not compete successfully, our business may be adversely impacted.
- We have limited experience in scaling a smart eyewear business. If we are unable to manage our expected growth effectively, our brand, and financial performance may suffer, which may have a material adverse effect on our business, financial condition, and operating results.
- Increases in component costs, shipping costs, long lead times, supply shortages, and supply changes could disrupt our supply chain; factors such as wage rate increases and inflation can have a material adverse effect on our business, financial condition, and operating results.
- We currently derive all of our revenue from sales of our glasses. A decline in sales of our eyewear would negatively affect our business, financial condition, and results of operation.
- We face significant risks due to our dependency on foreign supply and manufacturing chains, geopolitical and economic changes, and changes in public perception about internationally sourced and manufactured products.
- We rely on a limited number of contract manufacturers and logistics partners for our products. A loss of any of these partners could negatively affect our business.
- If we fail to cost-effectively retain our existing customers or to acquire new customers, our business, financial condition, and results of operations would be harmed.
- If we fail to successfully launch or after we launch receive sufficient revenue from our cobranded collections with Nautica, Eddie Bauer, and Reebok, our business, financial condition, and results of operations would be harmed.
- Eyeglasses are regulated as medical devices by the FDA, and our failure, or the failure of any third-party manufacturer or optical laboratory, to obtain and maintain the necessary marketing authorizations for our products could have a material adverse effect on our business.
- Our profitability and cash flows may be negatively affected if we are not successful in managing our supply chain and customer demands for product deliveries.
- If we fail to maintain and enhance our brand, our ability to engage or expand our base of customers will be impaired, and our business, financial condition, and results of operations may suffer.
- We rely heavily on our information technology systems, as well as those of our third-party vendors, business partners, and service providers, for our business to effectively operate and to safeguard confidential information; any significant failure, inadequacy, interruption, or data security incident could adversely affect our business, financial condition, and operations.
- Our multichannel channel business faces distinct risks, and our failure to successfully manage it could have a negative impact on our profitability.
- If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards and changing customer needs or requirements, our solutions may become less competitive.
- We depend on highly skilled personnel to grow and operate our business, and if we are unable to hire, retain, and motivate our personnel, we may not be able to grow effectively.
- A decline in sales of our eyewear would negatively affect our business, financial condition, and results of operations.
- We could be adversely affected by product liability, product recall or personal injury issues.

**Risks Related to our Intellectual Property**

- We license some of our technology from Lucyd Ltd., ~~the largest stockholder of the Company,~~ and **our from a third party. Our** inability to maintain ~~this these~~ **license/licenses** could materially affect our business, financial condition, and operating results.
- Failure to adequately maintain and protect our intellectual property and proprietary rights could harm our brand, devalue our proprietary content, and adversely affect our ability to compete effectively.
- We may incur costs to defend against, face liability or for being vulnerable to intellectual property infringement claims brought against us by others.

**Risks Related to Our Dependence on Third Parties**

- We face risks associated with suppliers from whom our products are sourced and are dependent on a limited number of suppliers.
- Our projects could be hindered due to our dependence on third parties to complete many of our contracts.
- We depend on search engines, social media platforms, digital application stores, content-based online advertising, and other online sources to attract consumers to and promote our website and our mobile applications, which may be affected by third-party interference beyond our control; and, as we grow, the cost of acquiring new customers may continue to rise and become uneconomical.

**Risks Relating to Our Business, Strategy and Industry**

If we fail to satisfy the continued listing requirements of Nasdaq such as the corporate governance requirements or the minimum stock price requirement, Nasdaq may take steps to delist our securities. Such a delisting would likely have a negative effect on the price of our securities and would impair your ability to sell or purchase our securities when you wish to do so. ~~In the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow our securities to become listed again, stabilize the market price or improve the liquidity of our securities, prevent our securities from dropping below the Nasdaq minimum stock price requirement, or prevent future non-compliance with Nasdaq's listing requirements. Additionally, if our securities are not listed on, or become delisted from, Nasdaq for any reason, and are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of our securities may be more limited than if we were quoted or listed on Nasdaq or another national securities exchange. You may be unable to sell your securities unless a market can be established or sustained. On August 4, 2023, we received written notice from the Listing Qualifications Department of Nasdaq notifying us that, for a period of 30 consecutive business days, we failed to maintain a minimum closing bid price of \$ 1.00 as required for continued listing on the Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550 (a) (2). In accordance with Nasdaq Listing Rule 5810 (e) (3) (A), we had 180 calendar days, or until January 31,~~

2024, to regain compliance. On February 1, 2024, the Company received a letter (the “ Extension Notice ”) from Nasdaq notifying the Company that it had been granted an additional 180-day period, or until July 30, 2024, to regain compliance with Nasdaq Listing Rule 5550 (b) (1). We compete directly with large, integrated optical players that sell both at the retail level and online such as Ray-Ban® that have multiple products, well regarded brands and retail banners, as well as established and well-regarded consumer electronics companies such as Bose®. This diversified and capable competition takes place both in physical retail locations as well as online, for smart glasses. To compete effectively, we must continue to create, invest in, or acquire, advanced technology, incorporate this technology into our products, obtain regulatory approvals in a timely manner where required, and process and successfully market our products. Most if not all of our competitors have significantly greater financial and operational resources, longer operating histories, greater brand recognition, and broader geographic presence than we do. As a result, they may be able to outmaneuver us in the marketplace and offer capable products at more competitive prices, which may adversely affect our business. They also are able to spend far more than we do for advertising. We may be at a substantial disadvantage to larger competitors with greater economies of scale. If our costs are greater compared to those of our competitors, the pricing of our products may not be as attractive, thus depressing sales or the profitability of our products and services. Our competitors may expand into markets in which we currently operate, and we remain vulnerable to the marketing power and high level of customer recognition of these larger competitors and to the risk that these competitors or others could attract our customer base. Some of our competitors are vertically integrated and are also engaged in the manufacture and distribution of glasses and many of our competitors operate under a variety of brands and price points. These competitors can advantageously leverage this structure to better compete and access the market with significant market power could make it more difficult for us to compete. We purchase some of our product components from suppliers who may be affiliates of one or more competitors or may compete with ourselves in the future. We may not continue to be able to successfully compete against existing or future competitors. Our inability to respond effectively to competitive pressures, improved performance by our competitors, and changes in the retail and e-commerce markets could result in lost market share and have a material adverse effect on our business, financial condition, and results of operations. We have had net losses since inception, had a net loss of \$ 6-7, 616 665, 791-515 for the year ended December 31, 2023-2024, and had a net loss of \$ 5-6, 681-663, 833-428 for the year ended December 31, 2022-2023. As of December 31, 2023-2024, we had an accumulated deficit of \$ 16-24, 922-735, 778-930. Because we have a limited operating history it is difficult for us to predict our future operating results. We will need to generate and sustain increased revenue and manage our costs to achieve profitability. Even if we do, we may not be able to become or increase our profitability. Our ability to generate profit depends on our ability to strengthen and expand our brand, continue to provide exciting products customers love, expand sales and improve margins. We are aiming to achieve profitability in the next two years, and between now and then we plan to efficiently invest in the business to bring it to scale by: ● enhancing our products with new designs, functionality, and technology to widen our appeal and delight customers in a wide variety of demographic groups; and, ● investing in our product development, supply chain and sales and marketing capabilities to leverage external resources as efficiently as possible to ensure that smart glasses are affordable for the majority of the world’s population who need them. However, we may not succeed in any of the foregoing, and the planned investments may not result in profitability. We have limited experience in the smart eyewear space. If we are unable to manage our growth effectively, our brand “ Lucyd ” and our financial performance may suffer, which may have a material adverse effect on our business, financial condition, and operating results. The smart eyewear industry is newly emerging. Whilst our directors have more than 80 years of combined experience in the eyewear industry, the smart eyewear market presents numerous new challenges. To effectively manage these challenges and continue to grow, we must continue to invest in the design of new frames and technology, expand our product line and effectively integrate several new technologies into eyewear. Achieving this could strain our existing resources, and we could experience ongoing operating difficulties in managing our business and bringing it to scale. Failure to scale could harm our competitive position and future success, including our ability to retain and recruit personnel and to effectively execute our corporate objectives. Our ability to generate net revenue will depend upon many factors, some of which we may have no control over. The industry for stylish, affordable smart glasses, is rapidly evolving and may not develop as we expect. Even if our net revenue continues to increase, our net revenue growth rates may decline in the future as a result of a variety of factors, including macroeconomic factors, increased competition, and the maturation of our business. As a result, you should not rely on our net revenue growth rate for any prior period as an indication of our future performance. Overall growth of our net revenue will depend on a number of factors, including our ability to: ● Increase exogenous distribution of our products in optical stores, big box retailers, specialty retailers and through multiple e-commerce channels; ● Price our products so that we are able to attract new customers, and expand our relationships with existing customers; ● Accurately forecast our net revenue and plan our operating expenses accordingly; ● Successfully compete with other companies that are currently in, or may in the future enter, the smart eyewear industry or the markets in which we compete, and respond to developments from these competitors such as pricing changes and the introduction of new products and features, noting that most, if not all, of our competitors have stronger balance sheets and larger staffs to devote to their products; ● Comply with existing and new laws and regulations applicable to our business; ● Develop new product offerings, with services and features, including in response to new trends, competitive dynamics, or the needs of customers; ● Successfully identify and acquire or invest in businesses, products, or technologies that we believe could complement or expand our business; ● Avoid interruptions or disruptions in our supply chain from natural disasters and political uncertainty; ● Provide customers with a high-quality experience and customer service and support that meets their needs; ● Hire, integrate, and retain talented sales, customer experience, product design, and development and other personnel; ● Effectively manage growth of our business, personnel, and operations; ● Effectively manage our costs related to our business and operations; and, ● Enhance our reputation and the value of the Lucyd brand. Because we have a limited history operating our business, it is difficult to evaluate our current business and future prospects, including our ability to plan for and model future growth. Our limited operating experience combined with the rapidly evolving

nature of the market in which we sell our products and services, substantial uncertainty concerning how these markets may develop, and other economic factors beyond our control, reduces our ability to accurately forecast quarterly or annual revenue. Failure to manage our future growth effectively could have an adverse effect on our business, financial condition, and operating results. We also expect to continue to expend substantial financial and other resources to grow our business, and we may fail to allocate our resources in a manner that results in increased net revenue growth in our business. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays, and other unknown factors that may result in losses in future periods. If our net revenue growth does not meet our expectations in future periods, our business, financial condition, and results of operations may be harmed, and we may not achieve or sustain profitability in the future. Increases in component costs, shipping costs, long lead times, supply shortages, and supply changes could disrupt our supply chain and factors such as wage rate increases and inflation can have a material adverse effect on our business, financial condition, and operating results. Meeting customer demand partially depends on our ability to obtain timely and adequate delivery of components for our products and services. All of the components that go into the manufacturing of our products and services are sourced from a limited number of third- party suppliers predominantly in the U. S. and China. **There is currently a tariff on all products imported from China in the amount of 20 %; we cannot determine at this time how this will affect our future profitability, whether it will reduce the number of smart glasses that we sell, or whether we could pass these tariff costs on to our customers through pricing adjustments**. Our contract manufacturers purchase and provide many of these components on our behalf, including sun lenses, demo lenses, hinge and chip sets and other electronic components, and we do not have long- term arrangements with most of our component suppliers. We are therefore subject to the risk of shortages and long lead times in the supply of these components and the risk that our suppliers discontinue or modify components used in our products. In addition, the lead times associated with certain components are lengthy and may preclude rapid changes in design, quantities, and delivery schedules. Our ability to meet temporary unforeseen increases in demand has been, and may in the future be, impacted by our reliance on the availability of components from these suppliers. We may in the future experience component shortages, and the predictability of the availability of these components may be limited in certain situations. In the event of a component shortage or supply interruption from suppliers of these components, we may experience supply chain delays. Developing alternate sources of supply for these components may be time- consuming, difficult, and costly, and we may not be able to source these components on terms that are acceptable to us, or at all, which may undermine our ability to fill our orders in a timely manner. Any interruption or delay in the supply of any of these parts or components, or the inability to obtain these parts or components from alternate sources at acceptable prices and within a reasonable amount of time, would harm our ability to timely ship our products to our customers. In addition, substantially all of our components are shipped directly from our contract manufacturers to our warehouse facility in Miami or to a third- party optical laboratory in the United States, where lenses are cut and mounted into frames. These laboratories process most of the glasses ordered by our customers. Once processed at the laboratories, the finished products are then sorted and shipped using third- party carriers to our customers. Our eyeglasses are also shipped directly to our third- party distribution center in the United States for shipment directly to our customers and resellers. We depend in large part on the orderly operation of this distribution process, which depends, in turn, on adherence to shipping schedules and effective management of our optical laboratory network and third- party distribution center. Increases in transportation costs (including increases in fuel costs), issues with overseas shipments, supplier- side delays, as well as reductions in the transportation capacity of carriers, labor strikes or shortages in the transportation industry, disruptions to the national and international transportation infrastructure, and unexpected delivery interruptions or delays also have the potential to derail our distribution process. Moreover, volatile economic conditions may make it more likely that our suppliers and logistics providers may be unable to timely deliver supplies, or at all, and there is no guarantee that we will be able to timely locate alternative suppliers of comparable quality at an acceptable price. In addition, international supply chains may be impacted by events outside of our control, and limit our ability to procure timely delivery of supplies or finished goods and services. We face additional risks related to the manufacturing facility we contract with in China and suppliers in China, including port of entry risks such as longshoremen strikes, import restrictions, foreign government regulations, trade restrictions, customs, and duties. We source components from suppliers located in China. Effective September 1, 2019, the U. S. government implemented a 15 % tariff on specified products imported into the U. S. from China and effective February 14, 2020, the 15 % tariff was reduced to 7.5 %. In June 2020, the U. S. government granted a temporary exclusion for plastic and metal frames with a retroactive effective date of September 1, 2019, and such exclusion expired in September 2020. **Recently, the tariff was increased to 20 %.** There remains to be uncertainty as to **what the impact of the increased tariff will be or** whether there will be ~~and the resulting impacts of,~~ any **other** changes to U. S. government trade policy. If we are unable to mitigate the full impact of the enacted **and increased** tariffs or if ~~(including whether we could pass these costs on to a significant portion of our products may customers through pricing adjustments, and if so, whether such increase increased further and prices would decrease the number of glasses that we sell),~~ **there these is a further escalation of tariffs – tariff** costs, our financial results may be negatively affected. While it is too early to predict how the current and future China tariffs will impact our business, our financial results may also be impacted by any resulting economic slowdown. ~~The Company has researched alternate manufacturing solutions outside of China and believes it can shift production elsewhere if necessary.~~ The inability to fulfill, or any delays in processing, customer orders through third party optical laboratory optical laboratory could result in the loss of customers, issuances of refunds or credits, and may also adversely affect our income and reputation. The success of our retail and e- commerce sales depends on the timely receipt of products by our customers and any repeated, intermittent or long- term disruption in, or failures of, the operations of our distribution center and / or optical laboratories could result in lower sales and profitability, a loss of loyalty to our brands, and excess inventory. Furthermore, increases in compensation, wage pressure, and other expenses for our employees, may adversely affect our profitability. Increases in minimum wages and other wage and hour regulations can exacerbate this risk. These cost increases may be the result of inflationary pressures which could further reduce our sales or

profitability. Increases in other operating costs, may increase our cost of products sold or selling, general, and administrative expenses. Our competitive price model and pricing pressures in the optical retail industry may inhibit our ability to reflect these increased costs in the prices of our products, in which case such increased costs could have a material adverse effect on our business, financial condition, and results of operations **especially since** ~~The Company sells prescription upgrades at an approximate 35 % profit margin, which can increase our margin exposure in the event of defective returns, and render returned pairs unsellable due to the original lenses being removed. As of January 2024, the Company's return policy was updated to prohibit discretionary returns of prescription lenses, which we believe that will reduce the impact of lens returns on~~ **one** our margins. Lens upgrades remain an important driver of **our competitive advantages** sales and increased AOV (average order value), and the Company is **how** continuously working to keep customer satisfaction high with this offering to keep the returns as **price point for our glasses is generally low-lower as possible than that of certain of our competitors**. We currently derive **principally** all of our revenue from sales of our glasses **and lenses**. A decline in sales of our eyewear would negatively affect our business, financial condition, and results of operations. We derive **substantially** all of our revenue from the sale of **smartglasses and custom lenses** ~~one product line, our Lueyd Lyte smart eyewear~~. Our glasses are sold in highly competitive markets with limited barriers to entry, **although in our view the barriers to building commercially viable smartglasses are significant, due to the complexity of materials and assembly involved**. Introduction by competitors of comparable products at lower price points, a maturing product lifecycle, a decline in consumer spending, or other factors could result in a material decline in our revenue. Because we derive most of our revenue from the sale of our glasses, any material decline in sales of our glasses would have a material adverse impact on our business, financial condition, and operating results. Since our component materials are sourced in China, our production may face additional risks such as, but not limited to: increased shipping costs, imposition of additional import or trade restrictions, increased custom duties and tariffs, legal or economic restrictions on our supplier and manufacturer's ability to meet our needs, unforeseen delays in customs clearance of goods, transportation delays, issues with ports of entry, new and adverse foreign government regulations, political instability, war, natural disasters, and overall economic uncertainty. Public opinion about internationally sourced and manufactured products could be changed by negative press, which could have an impact on our customers' confidence and satisfaction and could also have a negative impact on our public image and brand perception. The growth of our business is dependent upon our ability to continue to grow by cost-effectively retaining our existing customers and adding new customers. To a high degree, we rely on word of mouth to increase revenue. We also rely on the use of influencers which are expensive and may not provide the anticipated return on investment. Although we believe that many customers originate from word-of-mouth and paid and non-paid referrals, we expect to continue to expend resources and run marketing campaigns to acquire additional customers, all of which could impact our overall profitability. If we are not able to continue to expand our customer base, or fail to retain customers, our net revenue will grow slower than expected or decline. The growth of our e-commerce channel is critical to our continued customer retention and growth. Historically, consumers have been slower to adopt online shopping for glasses than e-commerce offerings in other industries such as consumer electronics and apparel. Improving upon the consumer in-store experience through an online platform is difficult due to broad consumer demands on selection, quality, convenience, and affordability. Changing traditional optical retail habits is difficult, and if consumers and retailers do not embrace smart eyewear as we expect, our business and operations could be harmed. Our ability to attract new customers and increase net revenue from existing customers also depends in large part on our ability to enhance and improve our existing products and to introduce new products and services, in each case, in a timely manner. We also must be able to identify and originate styles and trends as well as to anticipate and react to changing consumer demands in a timely manner. The success of new and / or enhanced products and services depends on several factors, including their timely introduction and completion, sufficient demand, and cost-effectiveness. New products that we develop may not be well received and could negatively impact our financial performance. Our number of customers may decline materially or fluctuate as a result of many factors, including, among other things: ● the quality, consumer appeal, price, and reliability of products and services offered by us; ● intense competition in the optical retail industry by better financed participants; ● negative publicity related to our brand or brand influencers; and ● customer dissatisfaction with changes we make to our products and services. In addition, if we are unable to provide high-quality support to customers or help resolve issues in a timely and acceptable manner, our ability to attract new customers and retain customers could be adversely affected. If our number of customers declines or fluctuates for any of these reasons among others, our business would suffer. Our profitability and cash flows may be negatively affected if we are not successful in managing our inventory balances and inventory shrinkage. Efficient inventory management is a key component of our business success and profitability. To be successful, we must maintain sufficient inventory levels to meet our customers' demands without allowing those levels to increase to such an extent that the costs to hold the goods unduly impact our financial results. We must balance the need to maintain inventory levels that are sufficient to ensure competitive lead times against the risk of inventory obsolescence because of changing customer requirements, fluctuating commodity prices, changes to our products, product transfers, or the life cycle of our products. If we fail to adequately forecast demand for any product, or fail to determine the optimal product mix for production purposes, we may face production capacity issues in processing sufficient quantities of a given product. If our buying and distribution decisions do not accurately predict customer trends or spending levels in general or if we inappropriately price products, we may have to record potential write-downs relating to the value of obsolete or excess inventory. Conversely, if we underestimate future demand for a particular product or do not respond quickly enough to replenish our best performing products, we may have a shortfall in inventory of such products, likely leading to unfulfilled orders, reduced net revenue, and customer dissatisfaction. In addition, because we source components from suppliers located in China, our inventory management may be impacted by enactment or further escalation of tariffs, import restrictions, foreign government regulations, trade restrictions, customs, and duties. Maintaining adequate inventory requires significant attention and monitoring of market trends, local markets, developments with suppliers, and our distribution network, and it is not certain that we will be effective in

our inventory management. Maintaining and enhancing our appeal and reputation as a stylish, innovative, and coveted brand is critical to attracting and expanding our relationships with customers. The successful promotion of our brand and the market's awareness of our products and services will depend on a number of factors, including our marketing efforts, ability to continue to develop our products and services, and ability to successfully differentiate our offerings from competitive offerings. We expect to invest substantial resources to promote and maintain our brand, but there is no guarantee that our brand development strategies will enhance the recognition of our brand or lead to increased sales. The strength of our brand will depend largely on our ability to provide stylish, technologically enhanced products and quality services at competitive prices. Brand promotion activities may not yield increased net revenue, and even if they do, the increased net revenue may not offset the expenses we incur in promoting and maintaining our brand and reputation. In order to protect our brand, we also plan to expend substantial resources to register and defend our trademarks and to prevent others from using the same or substantially similar marks. Despite these efforts, we and Lucyd Ltd. may not always be successful in protecting the trademarks we license from Lucyd Ltd. Our trademarks may be diluted, and we may suffer harm to our reputation, or other harm to our brand. If our efforts to cost-effectively promote and maintain our brand are not successful, our results of operations and our ability to attract and engage customers, partners, and employees may be adversely affected. Unfavorable publicity regarding our products, customer service, or privacy and security practices could also harm our reputation and diminish confidence in, and the use of, our products and services. In addition, negative publicity related to key brands that we have partnered with may damage our reputation, even if the publicity is not directly related to us. If we fail to maintain, protect, and enhance our brand successfully or to maintain loyalty among customers, or if we incur substantial expenses in unsuccessful attempts to maintain, protect, and enhance our brand, we may fail to attract or increase the engagement of customers, and our business, financial condition, and results of operations may suffer. We rely heavily on our in-house information technology and enterprise resource planning systems for many functions across our operations, including managing our supply chain and inventory, processing customer transactions in our stores, allocating lens processing jobs to the appropriate laboratories, our financial accounting and reporting, compensating our employees, and operating our website, mobile applications and in-store systems. Our ability to effectively manage our business and coordinate the manufacturing, sourcing, distribution, and sale of our products depends significantly on the reliability and capacity of these systems. We are critically dependent on the integrity, security, and consistent operations of these systems, which are highly reliant on the coordination of our internal business and engineering teams. We also collect, process, and store sensitive and confidential information, including our proprietary business information and that of our customers, employees, suppliers, and business partners. The secure processing, maintenance, and transmission of this information is critical to our operations. Our systems may be subject to damage or interruption from power outages or damages, telecommunications problems, data corruption, software errors, network failures, acts of war or terrorist attacks, fire, flood, global pandemics, and natural disasters; our existing safety systems, data backup, access protection, user management, and information technology emergency planning may not be sufficient to prevent data loss or long-term network outages. In addition, we may have to upgrade our existing information technology systems or choose to incorporate new technology systems from time to time in order for such systems to support the increasing needs of our expanding business. Costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems could disrupt or reduce the efficiency of our operations. Our systems and those of our third-party service providers and business partners may be vulnerable to security incidents, attacks by hackers, acts of vandalism, computer viruses, misplaced or lost data, human errors or other similar events. If unauthorized parties gain access to our networks or databases, or those of our third-party service providers or business partners, they may be able to steal, publish, delete, use inappropriately, or modify our private and sensitive third-party information including personal health information, credit card information, and personal identification information. In addition, employees may intentionally or inadvertently cause data or security incidents that result in unauthorized release of personal or confidential information. Because the techniques used to circumvent security systems can be highly sophisticated, change frequently, are often not recognized until launched against a target, and may originate from less regulated and remote areas around the world, we may be unable to proactively address all possible techniques or implement adequate preventive measures for all situations. Security incidents compromising the confidentiality, integrity, and availability of this information and our systems could result from cyber-attacks, computer malware, viruses, social engineering (including spear phishing and ransomware attacks), credential stuffing, supply chain attacks, efforts by individuals or groups of hackers and sophisticated organizations, including state-sponsored organizations, errors or malfeasance of our personnel, and security vulnerabilities in the software or systems on which we rely. We anticipate that these threats will continue to grow in scope and complexity over time and such incidents have occurred in the past, and may occur in the future, resulting in unauthorized, unlawful, or inappropriate access to, inability to access, disclosure of, or loss of the sensitive, proprietary and confidential information that we handle. We also rely on a number of third-party service providers to operate our critical business systems, provide us with software, and process confidential and personal information, such as the payment processors that process customer credit card payments, which expose us to security risks outside of our direct control and our ability to monitor these third-party service providers' data security is limited. These service providers could experience a security incident that compromises the confidentiality, integrity, or availability of the systems they operate for us or the information they process on our behalf. Cybercrime and hacking techniques are constantly evolving, and we or our third-party service providers may be unable to anticipate attempted security breaches, react in a timely manner, or implement adequate preventative measures, particularly given the increasing use of hacking techniques designed to circumvent controls, avoid detection, and remove or obfuscate forensic artifacts. While we have taken measures designed to protect the security of the confidential and personal information under our control, we cannot assure you that any security measures that we or our third-party service providers have implemented will be effective against current or future security threats. A security breach may also cause us to breach our contractual obligations. Our agreements with certain customers, business partners, or other stakeholders

may require us to use industry- standard or reasonable measures to safeguard personal information. We also may be subject to laws that require us to use industry- standard or reasonable security measures to safeguard personal information. A security incident could lead to claims by our customers, business partners, or other relevant stakeholders that we have failed to comply with such legal or contractual obligations. In addition, our inability to comply with data privacy obligations in our contracts or our inability to flow down such obligations to our vendors, collaborators, other contractors, or consultants may cause us to breach our contracts. As a result, we could be subject to legal action, or our customers or business partners could end their relationships with us. There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from liabilities or damages. In addition, any such access, disclosure or other loss or unauthorized use of information or data, whether actual or perceived, could result in legal claims or proceedings, regulatory investigations or actions, and other types of liability under laws that protect the privacy and security of personal information, including federal, state and foreign data protection and privacy regulations, violations of which could result in significant penalties and fines in the EU and United States. In addition, although we seek to detect and investigate all data security incidents, security breaches, and other incidents of unauthorized access to our information technology systems and data can be difficult to detect and any delay in identifying such breaches or incidents may lead to increased harm and legal exposure of the type described above. The cost of investigating, mitigating, and responding to potential security breaches and complying with applicable breach notification obligations to individuals, regulators, partners, and others can be significant. Further, defending a suit, regardless of its merit, could be costly, divert management attention, and harm our reputation. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co- insurance requirements, could adversely affect our reputation, business, financial condition, revenues, results of operations, or cash flows. Any material disruption or slowdown of our systems or those of our third- party service providers and business partners, could have a material adverse effect on our business, financial condition, and results of operations. Our risks are likely to increase as we continue to expand, grow our customer base, and process, store, and transmit increasing amounts of proprietary and sensitive data. Our e- commerce and multichannel channel business faces distinct risks, and our failure to successfully manage it could have a negative impact on our profitability. As an e- commerce and multichannel retailer, we encounter risks and difficulties frequently experienced by businesses with significant online and in- store sales. The successful operation of our business as well as our ability to provide a positive shopping experience that will generate orders and drive subsequent visits depends on efficient and uninterrupted operation of our e- commerce order- taking and fulfillment operations. If we are unable to allow real- time and accurate visibility to product availability when customers are ready to purchase, quickly and efficiently fulfill our customers' orders using the fulfillment and payment methods they demand, provide a convenient and consistent experience for our customers regardless of the ultimate sales channel, or effectively manage our online sales, our ability to compete and our results of operations could be adversely affected. Risks associated with our e- commerce and multichannel business include: ● uncertainties associated with our websites, mobile applications and in- store virtual try- on kiosks including changes in required technology interfaces, website downtime and other technical failures, costs and technical issues as we upgrade our systems software, inadequate system capacity, computer viruses, human error, security breaches, legal claims related to our systems operations, and fulfillment; ● our partnership with select third- party apps, through which we sell a portion of our products, are subject to changes in their technology interfaces, website downtime and other technical failures, costs, and issues; ● disruptions in internet service or power outages; ● reliance on third parties for computer hardware and software, as well as delivery of merchandise to our customers; ● rapid technology changes; ● credit or debit card fraud and other payment processing related issues; ● cybersecurity and consumer privacy; and ● natural disasters or adverse weather conditions. In addition, we must keep up to date with competitive technology trends, including the use of new or improved technology, creative user interfaces, virtual and augmented reality, and other e- commerce marketing tools such as paid search and mobile application, among others, which may increase our costs and which may not increase sales or attract customers. Our competitors, most of whom have significantly greater resources than we do, may also be able to benefit from changes in e- commerce technologies, which could harm our competitive position. Our success depends on our customers' willingness to adopt and use our products, as well as our ability to adapt and enhance our products. To attract new customers and increase revenue from existing customers, we need to continue to enhance and improve our products and to meet customer needs at prices that customers are willing to pay. Such efforts will require adding new features, expanding related applications and responding to technological advancements, which will increase our research and development costs. If we are unable to develop solutions that address customers' needs or enhance and improve our platform in a timely manner, we may not be able to increase or maintain market acceptance of our products. Further, we may make changes to our products that customers do not find useful. We may also face unexpected problems or challenges in connection with new applications or feature introductions. Moreover, many competitors expend a considerably greater amount of funds on their research and development programs, and those that do not may be acquired by larger companies that would allocate greater resources to competitors' research and development programs. If we fail to compete effectively with the research and development programs of competitors, our business could be harmed. Our ability to grow is also subject to the risk of future disruptive technologies. If new technologies emerge that are able to deliver smart eyewear products at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely affect our ability to compete. Our success and future growth depend largely upon the continued services of our management team, including our Chief Executive Officer Harrison Gross. From time to time, there may be changes in our executive management team resulting from the hiring or departure of our executives. Our executive officers are employed on an at- will basis, which means they may terminate their employment with us at any time. The loss of one or more of our executive officers, or the failure by our executive team to effectively work with our employees and lead our company, could harm our business. We do not maintain key person life insurance with respect to any member of management or other employee. In addition, our future success

will depend, in part, upon our continued ability to identify and hire skilled employees with the skills and technical knowledge that we require, including software design and programming, eyewear design, marketing, merchandising, operations, and other key management skills and knowledge. Such efforts will require significant time, expense, and attention as there is intense competition for such individuals. Certain technological advances, greater availability of, or increased consumer preferences for, vision correction alternatives to prescription eyeglasses or contact lenses, and future drug development for the correction of vision-related problems may reduce the demand for our products and adversely impact our business and profitability. Technological advances in vision care, including the development of new or improved products, as well as future drug development for the correction of vision-related problems, could significantly change how vision care may be conducted and make our existing products less attractive or even obsolete. The greater availability and acceptance, or reductions in the cost, of vision correction alternatives to prescription eyeglasses and contact lenses, such as corneal refractive surgery procedures, including radial keratotomy, photorefractive keratotomy, or PRK, and LASIK, may reduce the demand for our products, lower our sales, and thereby adversely impact our business and profitability. We could be adversely **affected by product liability, product recall, or personal injury issues. We could be adversely** impacted by the supply of defective products, including the infiltration of counterfeit products into the supply chain or product mishandling issues. Product liability or personal injury claims may be asserted against us with respect to any of the products we sell or services we provide. If the products that we sell, including those that we process, package, or label, are defective or otherwise result in product liability or personal injury claims against us, our business could be adversely affected and we could be subject to adverse regulatory action. If our products or services do not meet applicable governmental safety standards or our customers' expectations regarding quality or safety, we could experience lost sales and increased costs, be exposed to legal and reputational risk, and face fines or penalties which could materially adversely affect our financial results. Refunds, cancellations, and warranty claims could harm our business. 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 7 days for sales made through our website, 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). 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. Historically, we have experienced higher return rates on glasses with prescription lenses compared to glasses with non-prescription lenses, due to instances of improperly cut prescription lenses. If we experience a substantial increase in refunds, our cancellation reserve levels might not be sufficient and our business, financial condition, and results of operations could be harmed. However, updates to the Company's prescription lens return policy in January 2024, as mentioned above, is expected to support a reduction in excessive lens costs. ~~Additionally in January 2024, the Company instituted a standard \$ 15 restocking fee for standard frame returns, which is deducted from applicable refunds to cover shipping and restocking costs.~~ We expect a number of factors to cause our results of operations and operating cash flows to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance. Our results of operations could vary significantly from quarter to quarter and year to year because of a variety of factors, many of which are outside of our control. As a result, comparing our results of operations on a period-to-period basis may not be meaningful. In addition to other risk factors discussed in this section, factors that may contribute to the variability of our quarterly and annual results include: ● our ability to accurately forecast and achieve net revenues and appropriately plan our expenses; ● changes to financial accounting standards and the interpretation of those standards, which may affect the way we recognize and report our financial results; ● the effectiveness of our internal controls; ● the early-stage nature of our business and the need to scale our operations; and ● our ability to introduce our new cobranded products and product upgrades. The impact of one or more of the foregoing and other factors may cause our results of operations to vary significantly. As such, quarter-to-quarter and year-over-year comparisons of our results of operations may not be meaningful and should not be relied upon as an indication of future performance. We may require additional capital to support the growth of our business, and this capital might not be available on acceptable terms, if at all. ~~We~~ **Since our inception, we** have **primarily** funded our operations ~~since inception primarily~~ through net proceeds **generated** from the **offering and** sale of convertible loan ~~notes~~ **shares of our** common stock ~~sales through~~ **and warrants** ~~two~~ **to investors** registered crowdfunds and our initial public ~~offering~~. We cannot be certain when, or if, our operations will generate sufficient cash to fully fund our ongoing operations or the growth of our business. We intend to continue to make investments to support the development of our products and services and will require additional funds for such development. We may need additional funding for marketing expenses and to develop and expand sales resources, develop new products and improve existing products with new features or enhance our products and services with new technology, improve our operating infrastructure, or acquire complementary businesses and technologies. Accordingly, we might need or may want to engage in future equity or debt financings to secure additional funds. Additional financing may not be available on terms favorable to us, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could harm our business, financial condition, and results of operations. If we are unable to obtain adequate financing or financing on terms satisfactory to us, our ability to develop our products and services, support our business growth, and respond to business challenges could be significantly impaired, and our business may be adversely affected. If we incur additional debt, the debt holders would have rights senior to holders of common stock to make claims on our assets, and the terms of any additional debt could include restrictive covenants that restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in the future will depend on numerous considerations, including factors beyond our control, ~~and~~ we cannot predict or estimate the amount, timing, or nature of any future issuances of debt or equity securities. As a result, our stockholders bear the risk of future issuances of debt or equity securities reducing the value of our common stock and diluting their interests. The occurrence of any of these foregoing risks could adversely affect our business, financial condition,

and results of operations and expose us to unknown risks or liabilities. ~~We believe that the~~ **If we fail to successfully launch of, or after we launch receive insufficient revenue from** our cobranded collections with Nautica, Eddie Bauer, and Reebok, **our business, financial condition, and results of operations would be harmed. We recently launched our cobranded collections with Nautica and Eddie Bauer in the first and second quarters of 2024, respectively. We also plan to launch our Reebok cobranded collection in the second quarter of 2025. We believe these brand partnerships will grow our brand and company due to the global renown of these these partners, and we believe that these brand partnerships will play a significant role in our future revenue growth by offering a more diversified product portfolio that speaks to consumers from different demographics (for example, Nautica generally appeals to a more fashion-forward customer than Lucyd Lyte, and Eddie Bauer generally appeals to an older demographic than our other lines).** ~~If~~ **However, if** we are unable to successfully launch ~~these-- the Reebok cobranded collections-- collection~~, we may not be able to grow as currently anticipated and may be required to shift our current business plans. **Further, following the** ~~Even if we are able to successfully launch our~~ cobranded collections with Nautica, Eddie Bauer, and Reebok, there is no guarantee that we will receive sufficient revenue to pay the licensing fees that would be owed to Nautica, Eddie Bauer, and Reebok. Specifically, **we minimally owe the aggregate future minimum payments due under the license agreements related to these brands is \$ 14, 171-010, 210-000** over the next ~~ten~~ **nine** years ~~in licensing fees~~, **although we have the option to cancel the agreements during the fifth year**. If we are not able to successfully market and sell our cobranded products, we will not receive sufficient revenue to pay the licensing fees and would need to use the proceeds from our other products to pay the fees. **There can be no assurance that we will be able to profitably manage these cobranded collections, or that they will achieve anticipated revenues and earnings.** Eyeglasses are regulated as medical devices by the FDA, and our failure, or the failure of any third-party manufacturer or optical laboratory, to obtain and maintain the necessary agency authorizations for our products could have a material adverse effect on our business. We are an FDA registered eyewear importer, and we also engage in certain manufacturing, packaging, shipping and labeling activities that subject us and our overseas manufacturing partners to oversight by the FDA under the FDCA and its implementing regulations. The FDA regulates, among other things, with respect to medical devices: design, development and manufacturing, testing, labeling, content, and language of instructions for use and storage; clinical trials; product safety; establishment registration and device listing; marketing, sales and distribution; premarket clearance, classification and approval; recordkeeping procedures; advertising and promotion; recalls and field safety corrective actions; post market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury; post-market approval studies; and product import and export. The regulations to which we are subject are simpler than most medical products due to the relatively low risk classification of eyewear — regularly, only our lenses are reviewed for FDA clearance. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs, or lower than anticipated sales. The FDA enforces its regulatory requirements through, among other means, periodic unannounced inspections. Failure to comply with applicable regulations could jeopardize our or our contract manufacturers' ability to manufacture and sell our products and result in FDA enforcement actions such as: warning letters; fines; injunctions; civil penalties; termination of distribution; recalls or seizures of products; delays in the introduction of products into the market; total or partial suspension of production; refusal to grant future clearances or approvals; withdrawals or suspensions of clearances or approvals, resulting in prohibitions on sales of our products; and in the most serious cases, criminal penalties. Due to the nature of ~~Vyrb~~ **the Lucyd app** as a social media application, and our collection of customer data in the process of taking orders, we are subject to rapidly changing and increasingly stringent laws, regulations, obligations, and industry standards relating to privacy, data security, and data protection. The restrictions and costs imposed by these laws and other obligations, or our actual or perceived failure to comply with them, could subject us to liabilities that adversely affect our business, operations, and financial performance. We collect, process, store, and use a wide variety of data from current and prospective customers, including personal information, such as home addresses and geolocation, and health information related to their ophthalmic prescriptions. These activities are regulated by a variety of federal, state, local, and foreign privacy, data security, and data protection laws and regulations, which have become increasingly stringent in recent years. Domestic privacy and data security laws are complex and changing rapidly. Many states have enacted laws regulating the online collection, use, and disclosure of personal information and requiring that companies implement reasonable data security measures. Laws in all states and U. S. territories also require businesses to notify affected individuals, governmental entities, and / or credit reporting agencies of certain security incidents affecting personal information. These laws are not consistent, and compliance with them in the event of a widespread data breach is complex and costly. Further, the California Consumer Privacy Act (CCPA) took effect on January 1, 2020. The CCPA gives California residents expanded rights related to their personal information, including the right to access and delete their personal information, and receive detailed information about how their personal information is used and shared. The CCPA also created restrictions on “ sales ” of personal information that allow California residents to opt-out of certain sharing of their personal information and may restrict the use of cookies and similar technologies for advertising purposes. Our e-commerce platform, including our websites and mobile applications, rely on these technologies and could be adversely affected by the CCPA's restrictions. The CCPA prohibits discrimination against individuals who exercise their privacy rights, provides for civil penalties for violations, and creates a private right of action for data breaches that is expected to increase data breach litigation. Additionally, a new California ballot initiative, the California Privacy Rights Act, or CPRA, was recently passed in California. The CPRA will restrict use of certain categories of sensitive personal information that we handle; further restrict the use of cross-context behavioral advertising techniques on which our products may rely in the future; establish restrictions on the retention of personal information; expand the types of data breaches subject to the private right of action; and establish the California Privacy Protection Agency to implement and enforce the new law, as well as impose administrative fines. The majority of the CPRA's provisions will go into effect on January 1, 2023, and additional compliance investment and potential business process changes will likely be required. Similar laws have been proposed in other states and at the federal

level, reflecting a trend toward more stringent privacy legislation in the United States. Compliance with such laws could be difficult and costly to achieve and we could be subject to fines and penalties in the event of non-compliance. Additionally, we are subject to certain health information privacy and security laws as a result of the health information that we receive in connection with our products and services. These laws and regulations include not be adequate to indemnify us for the full extent of our potential liabilities. Finally, since the **Lucyd Vyrb** social app allows users to **speak to each other** create and share various types of multimedia content in a public space operated by the Company, the Company has a basic responsibility to ensure that **illegal or otherwise personally users are not exposed to** harmful content **is removed from the platform with speed**, which if we fail to do so, could potentially result in legal action against the Company. Our business could be adversely impacted by changes in the internet and mobile device accessibility of users. Companies and governmental agencies may restrict access to our products and services, our mobile applications, website, application stores, or the internet generally, which could negatively impact our operations. Our business depends on customers accessing our products and services via a mobile device or a personal computer, and the internet. We may operate in jurisdictions that provide limited internet connectivity. Internet access and access to a mobile device or personal computer are frequently provided by companies with significant market power that could take actions that degrade, disrupt, or increase the cost of consumers' ability to access our products and services. In addition, the internet infrastructure that we and our customers rely on in any particular geographic area may be unable to support the demands placed upon it and could interfere with the speed and availability of our products and services. Any such failure in internet or mobile device or computer accessibility, even for a short period of time, could adversely affect our results of operations. Governmental agencies in any of the countries in which we or our customers are located could block access to or require a license for our mobile applications, website, or the internet generally for a number of reasons, including security, confidentiality, or regulatory concerns. In addition, companies may adopt policies that prohibit their employees from using our products and services. If companies or governmental entities block, limit, or otherwise restrict customers from accessing our products and services, our business could be negatively impacted, the number of customers could decline or grow more slowly, and our results of operations could be adversely affected. From time to time, we may be subject to legal proceedings, regulatory disputes, and governmental inquiries that could cause us to incur significant expenses, divert our management's attention, and materially harm our business, financial condition, and operating results. From time to time, we may be subject to claims, lawsuits, government investigations, and other proceedings involving products liability, competition and antitrust, intellectual property, privacy, false advertising, consumer protection, securities, tax, labor and employment, commercial disputes, and other matters that could adversely affect our business operations and financial condition. As we grow, we may see a rise in the number and significance of these disputes and inquiries. Litigation and regulatory proceedings may be protracted and expensive, and the results are difficult to predict. Certain of these matters include speculative claims for substantial or indeterminate amounts of damages and include claims for injunctive relief. Additionally, our litigation costs could be significant. Adverse outcomes with respect to litigation or any of these legal proceedings may result in significant settlement costs or judgments, penalties and fines, or require us to modify our products or services, all of which could negatively affect our revenue growth. The results of litigation, investigations, claims, and regulatory proceedings cannot be predicted with certainty, and determining reserves for pending litigation and other legal and regulatory matters requires significant judgment. There can be no assurance that our expectations will prove correct, and even if these matters are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, financial condition, and results of operations.

**Risks Related to Intellectual Property** Some of our current intellectual property is licensed from Lucyd Ltd., **the one of our largest larger stockholder stockholders** of the Company, pursuant to a license agreement we entered into with Lucyd Ltd. on April 1, 2020 (the "License Agreement"). Pursuant to the License Agreement, we acquired an exclusive, worldwide license that is royalty-free, fully paid up, and perpetual license for the exclusive use of certain assets of Lucyd Ltd. related to Innovative Eyewear current products and trademarks. **There can be no assurance that the license will not be terminated by Lucyd Ltd. and if we are unable to continue to license the technology (because of, for example, intellectual property infringement claims brought by third-parties against us or against Lucyd Ltd.) then our business, financial condition and operating results would be adversely affected.** Please see "Business — Material Agreements" for a more complete description of the License Agreement. **Some of our current intellectual property is licensed from IngenioSpec, LLC, a third-party entity, pursuant to license agreement we entered into on January 3, 2024. Pursuant to this license agreement, we acquired a multi-year non-exclusive license for multiple smart eyewear patents that we fully prepaid at the time of entry into the agreement. There can be no assurance that these licenses will not be terminated by the respective counterparty and if we are unable to continue to license such technology then our business, financial condition and operating results would be adversely affected.** Our success depends to a significant degree on Lucyd Ltd.'s ability to obtain, maintain, protect, and enforce our licensed intellectual property rights, including those in our proprietary technologies, know-how, and brand. To protect our rights to our intellectual property, we rely on a combination of patent, trademark, copyright and trade secret laws, domain name registrations, confidentiality agreements, and other contractual arrangements with our employees, affiliates, clients, strategic partners, and others. However, the protective steps we have taken and plan to take may be inadequate to deter misappropriation or other violation of or otherwise protect our intellectual property rights. We may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Effective patent, trademark, copyright, and trade secret protection may not be available to us or available in every jurisdiction in which we offer or intend to offer our services. Failure to adequately protect our intellectual property could harm our brand, devalue our proprietary technology and content, and adversely affect our ability to compete effectively. Further, even if we are successful, defending our intellectual property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect our business, financial condition, and results of operations. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our licensed intellectual property and proprietary technology and develop

and commercialize substantially identical offerings or technologies. Any patents, trademarks, copyrights, or other intellectual property rights that we have or may obtain may be challenged or circumvented by others or invalidated or held unenforceable through administrative process, including re-examination, inter partes review, interference and derivation proceedings, and equivalent proceedings in foreign jurisdictions (e. g., opposition proceedings), or litigation. There can be no assurance that our patent applications will result in issued patents and we may be unable to obtain or maintain patent protection for our technology. In addition, any patents issued from pending or future patent applications or licensed to us in the future may not provide us with claims sufficiently broad to provide meaningful competitive advantages or may be successfully challenged by third parties. There is also no guarantee that our pending trademark applications for any mark will proceed to registration; our pending applications may be opposed by a third party prior to registration; and even those trademarks that are registered could be challenged by a third party, including by way of revocation or invalidity actions. For example, we have registrations in a number of foreign countries in which we are not currently offering goods or services, and those registrations could be subject to invalidation proceedings if we cannot demonstrate use of the marks by the applicable use deadlines in those countries. In addition, because patent applications in the United States are currently maintained in secrecy for a period of time prior to issuance, and patent applications in certain other countries generally are not published until more than 18 months after they are first filed, and because publication of discoveries in scientific or patent literature often lags behind actual discoveries, we cannot be certain that we were the first creator of inventions covered by our pending patent applications or that we were the first to file patent applications on such inventions. To maintain a proprietary market position in foreign countries, we may seek to protect some of our proprietary inventions through foreign counterpart patent applications. Statutory differences in patentable subject matter may limit the protection we can obtain on some of our inventions outside of the United States. The diversity of patent laws may make our expenses associated with the development and maintenance of intellectual property in foreign jurisdictions more expensive than we anticipate. We probably will not be able to obtain the same patent protection in every market in which we may otherwise be able to potentially generate revenue. Further, the laws of some foreign countries may not be as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate. Moreover, policing unauthorized use of our technologies, trade secrets, and intellectual property may be difficult, expensive, and time-consuming. Despite our precautions, it may be possible for unauthorized third parties to copy our offerings and capabilities and use information that we regard as proprietary to create offerings that compete with ours. Third parties may apply to register our trademarks or other trademarks similar to our trademarks in jurisdictions before us, thereby creating risks relating to our ability to use and register our trademarks in those jurisdictions. In addition, there could be potential trade name or trademark ownership or infringement claims brought by owners of other rights, including registered trademarks, in our marks or marks similar to ours. Any claims of infringement, brand dilution, or consumer confusion related to our brand (including our trademarks) or any failure to renew key license agreements on acceptable terms could damage our reputation and brand identity and substantially harm our business and results of operations. The value of our intellectual property could diminish if others assert rights in or ownership of our trademarks and other intellectual property rights, or trademarks that are similar to our trademarks. We may be unable to successfully resolve these types of conflicts to our satisfaction. In some cases, litigation or other actions may be necessary to protect or enforce our trademarks and other intellectual property rights. We generally enter into confidentiality and invention assignment agreements with our employees and consultants, as well as confidentiality agreements with other third parties, including suppliers and other partners. However, we cannot guarantee that we have entered into such agreements with each party that has or may have had access to our proprietary information, know-how, and trade secrets. Moreover, no assurance can be given that these agreements will be effective in controlling access to our proprietary information or the distribution, use, misuse, misappropriation, reverse engineering, or disclosure of our proprietary information, know-how, and trade secrets. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our offerings and capabilities. These agreements may be breached, and we may not have adequate remedies for any such breach. We may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property rights. Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights, and if such defenses, counterclaims, or countersuits are successful, we could lose valuable intellectual property rights. Further, any changes in law or interpretation of any such laws, particularly intellectual property laws, may impact our ability to protect, register, or enforce our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our offerings and capabilities, impair the functionality of our offerings and capabilities, delay introductions of new offerings, result in our substituting inferior or more costly technologies into our offerings, or injure our reputation. Domain names generally are regulated by internet regulatory bodies, and the regulation of domain names is subject to change. Regulatory bodies have and may continue to establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. We may not be able to, or it may not be cost-effective to, acquire or maintain all domain names that utilize the name "Lucyd Ltd." or "Innovative Eyewear" in all of the countries in which we currently conduct or intend to conduct business. If we lose the ability to use a domain name, we could incur significant additional expenses to market our products within that country, including the development of new branding. This could substantially harm our business, results of operations, financial condition and prospects. **We may incur costs to defend against, face liability or for being vulnerable to intellectual property infringement claims brought against us by others.** Third parties may assert claims against us alleging that we infringe upon, misappropriate, dilute or otherwise violate their intellectual property rights, particularly as we expand our

business and the number of products we offer. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims. We may be particularly vulnerable to such claims, as companies having a substantial online presence are frequently subject to litigation based on allegations of infringement or other violations of intellectual property rights. As we gain an increasingly high public profile, the possibility of intellectual property rights claims against us grows. Our competitors and others may now and in the future have significantly larger and more mature patent portfolios than us. We rely on contracts and releases for ownership of copyrighted materials and the right to use images of individuals on our webpage and marketing material, and we may be subject to claims that we did not properly obtain rights, consent, a release, or permission to use certain content or imagery. Many potential litigants have the ability to dedicate substantial resources to the assertion of their intellectual property rights. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, could distract our management from our business, could require us to cease use of such intellectual property, and could create ongoing obligations if we are subject to agreements or injunctions (stipulated or imposed) preventing us from engaging in certain acts. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, we risk compromising our confidential information during this type of litigation. Our defense of any claim, regardless of its merit, could be expensive and time consuming and could divert management resources. We cannot predict the outcome of lawsuits and cannot ensure that the results of any such actions will not have an adverse effect on our business, financial condition, or results of operations. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products. In addition, resolution of claims may require us to redesign or rebrand our products, license rights from third parties on potentially unfavorable terms, cease using certain brand names or other intellectual property rights altogether, make substantial payments for royalty or license fees, legal fees, settlement payments or other costs or damages, or admit liability. Such outcomes could encourage others to bring claims against us. To the extent we seek a license to continue offerings or operations found or alleged to infringe third- party intellectual property rights, such a license may be non- exclusive, and therefore our competitors may have access to the same technology licensed to us. In the event we are required to develop alternative, non- infringing technology, this could require significant time (during which we would be unable to continue to offer our affected offerings), effort and expense, and may ultimately not be successful. Any of these events could harm our business and cause our results of operations, liquidity, and financial condition to suffer. We purchase all of the inputs for our products, including eyeglass frames, temples with electronics embedded within them, prescription lenses, sun lenses, demo lenses, hinges, packaging materials and other components, parts, and raw materials, directly or indirectly from domestic and international suppliers. For our business to be successful, our suppliers must be willing and able to provide us with inputs in substantial quantities, in compliance with regulatory requirements, at acceptable costs and on a timely basis. Our ability to obtain a sufficient selection or volume of inputs on a timely basis at competitive prices could suffer as a result of any deterioration or change in our supplier relationships or events that adversely affect our suppliers. We typically do not enter into long- term contracts with our suppliers and, as such, we operate without significant contractual assurances of continued supply, pricing or access to inputs. Any of our suppliers could discontinue supplying us with desired inputs in sufficient quantities or offer us less favorable terms on future transactions for a variety of reasons. The benefits we currently experience from our suppliers' relationships could be adversely affected if our suppliers: ● discontinue selling products to us; ● raise their prices; ● increase lead times for products and / or key components. We also source inputs directly from suppliers outside of the United States, including China. Global sourcing and foreign trade involve numerous factors and uncertainties beyond our control including increased shipping costs, the imposition of additional import or trade restrictions, including legal or economic restrictions on overseas suppliers' ability to produce and deliver inputs, increased custom duties and tariffs, unforeseen delays in customs clearance of goods, more restrictive quotas, loss of a most favored nation trading status, currency exchange rates, transportation delays, port of entry issues and foreign government regulations, political instability, and economic uncertainties in the countries from which we or our suppliers source our products. We rely on a limited number of third- party suppliers and contract manufacturers for the components that go into the manufacturing of our products. In particular, our frames are provided by only a handful of suppliers. We also assemble and fulfill prescription glasses at a single third- party optical laboratory. Our reliance on a limited number of contract manufacturers and logistics partners for our products increases our risks of being unable to deliver our products in a timely and cost- effective manner. In the event of interruption from any of our contract manufacturers or our own fulfillment capabilities, we should be able to increase capacity from other sources or develop alternate or secondary sources without incurring material additional costs or substantial delays. Our business could be adversely affected if one or more of our manufacturers is impacted by a natural disaster, an epidemic, or other interruption at a particular location. Additionally, we do not own or operate a warehouse or a warehouse management company or system, and we currently rely on three third- party warehouses. Because a significant percentage of our products are stored in and shipped out of third- party warehouses, we face significant risks such as, but not limited to: our operations could be disrupted and our inventory could be destroyed by earthquakes, floods, fires or other natural disasters or other events outside of our control, or the control of our third- party warehouse. Our dependence on third- party warehouses also exposes us to the risk that the warehouse may experience operational disruptions due to security or computer viruses, software and hardware failure, power interruptions and other system failures. If we encounter problems with our third- party warehouse, we may be unable to meet customer expectations, manage our inventory and fulfillment capacity, complete sales, fulfill orders in a timely fashion, and our ability to achieve objectives for operating efficiencies could be adversely affected, all of which could harm our reputation and our relationship with our customers. In the current economic environment, third parties may find it difficult to obtain sufficient financing to help fund their operations. The inability to obtain financing could adversely affect a third party' s ability to provide materials, equipment or services which could have a material adverse impact on our business, financial condition, and results of operations. In addition, a failure by a third- party subcontractor, supplier or manufacturer to comply with applicable laws, regulations or client requirements could negatively impact our

business and, for government clients, could result in fines, penalties, suspension or even debarment being imposed on us, which could have a material adverse impact on our business, financial condition, and results of operations. We depend on search engines, social media platforms, digital application stores, content-based online advertising, and other online sources to attract consumers to and promote our website and our mobile applications, which may be affected by third-party interference beyond our control and as we grow our customer acquisition costs may rise. Our success depends in part on our ability to attract consumers to our website, mobile applications, and retail partners to convert them into customers in a cost-effective manner. We depend, in large part, on search engines, social media platforms, digital application stores, content-based online advertising, and other online sources for traffic to our website, mobile applications, and select application partners. With respect to search engines, we are included in search results as a result of both paid search listings, where we purchase specific search terms that result in the inclusion of our advertisement, and free search listings, which depend on algorithms used by search engines. For paid search listings, if one or more of the search engines or other online sources on which we rely for purchased listings modifies or terminates its relationship with us, our expenses could rise, we could lose consumers and traffic to our website could decrease, any of which could have a material adverse effect on our business, financial condition, and results of operations. We plan to rely primarily on third-party insurance policies to insure our operations-related risks. If our insurance coverage is insufficient for the needs of our business or our insurance providers are unable to meet their obligations, we may not be able to mitigate the risks facing our business, which could adversely affect our business, financial condition, and results of operations. We procure third-party insurance policies or plan to procure policies to cover various operations-related risks including employment practices liability, workers' compensation, property and business interruptions, cybersecurity and data breaches, crime, directors' and officers' liability, and general business liabilities. We rely on a limited number of insurance providers, and should such providers discontinue or increase the cost of coverage, we cannot guarantee that we would be able to secure replacement coverage on reasonable terms or at all. If our insurance carriers change the terms of our policies in a manner not favorable to us, our insurance costs could increase. Further, if the insurance coverage we maintain is not adequate to cover losses that occur, or if we are required to purchase additional insurance for other aspects of our business, we could be liable for significant additional costs. Additionally, if any of our insurance providers becomes insolvent, it would be unable to pay any operations-related claims that we make.

General Risk Factors Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price. Since the completion of our initial public offering in August 2022, we have been required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which **will require-requires** management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. ~~Though we will be required to disclose changes made in our internal controls and procedures on a quarterly basis, we are not required to make our first annual assessment of our internal control over financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC.~~ As an "emerging growth company," as defined in the JOBS Act, **which will be in effect until after five years from our initial public offering**, we may take advantage of certain temporary exemptions from various reporting requirements, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act (and the rules and regulations of the Securities and Exchange Commission thereunder). ~~Once we no longer qualify as an "emerging growth company" under the JOBS Act and lose the ability to rely on the exemptions related thereto discussed above and depending on our status as per Rule 12b-2 of the Securities Exchange Act of 1934, as amended, our independent registered public accounting firm may also need to attest to the effectiveness of our internal control over financial reporting under Section 404.~~ Based on the number of personnel available to serve the Company's accounting function, management believes we are not able to adequately segregate responsibility over financial transaction processing and reporting. Further, the Company does not have a formal internal control environment in place and operating effectively. As such, we have identified these issues as material weaknesses in our internal control over financial reporting and insufficient controls with respect to revenue recognition, and we may identify additional material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements. If our remediation of such material weaknesses is not effective, or if we fail to develop and maintain an effective system of internal controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be materially and adversely affected and the market price of our common stock could be negatively affected, which could require additional financial and management resources. Changes in tax treatment of companies engaged in e-commerce may adversely affect the commercial use of our sites and our financial results. Due to the global nature of the Internet, it is possible that various states or foreign countries might attempt to impose additional or new regulation on our business or levy additional or new sales, income, or other taxes relating to our activities. Tax authorities at the international, federal, state, and local levels are currently reviewing the appropriate treatment of companies engaged in e-commerce and digital services. New or revised international, federal, state, or local tax regulations or court decisions may subject us or our customers to additional sales, income and other taxes. For example, on June 21, 2018, the U. S. Supreme Court rendered a 5-4 majority decision in South Dakota v. Wayfair Inc., 17-494 where the Court held, among other things, that a state may require an out-of-state seller with no physical presence in the state to collect and remit sales taxes on goods the seller ships to consumers in the state, overturning existing court precedent. Other new or revised taxes and, in particular, digital taxes, sales taxes, VAT, and similar taxes could increase the cost of doing business online and decrease the attractiveness of selling products over the Internet. New taxes and rulings could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Any of these events could have a material adverse effect on our business, financial condition, and operating results. An overall decline in the health of the economy and other factors impacting consumer spending, such as recessionary conditions, governmental instability, inclement weather, and natural disasters, may affect consumer purchases, which could reduce demand for our products and harm our

business, financial conditions, and results of operations. Our business depends on consumer demand for our products and, consequently, is sensitive to a number of factors that influence consumer confidence and spending, such as general economic conditions, consumer disposable income, energy and fuel prices, recession and fears of recession, unemployment, minimum wages, availability of consumer credit, consumer debt levels, conditions in the housing market, interest rates, tax rates and policies, inflation, consumer confidence in future economic conditions and political conditions, war and fears of war, inclement weather, natural disasters, terrorism, outbreak of viruses or widespread illness, and consumer perceptions of personal well-being and security. However, as eyewear is a necessary medical device for a large segment of the population, we believe our business is more insulated from economic forces compared to other consumer electronics. We are an “emerging growth company,” and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors. We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Pursuant to Section 107 of the JOBS Act, as an emerging growth company, we have elected to use the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our common stock less attractive to investors. In addition, if we cease to be an emerging growth company, we will no longer be able to use the extended transition period for complying with new or revised accounting standards. We will remain an emerging growth company until the earliest of: (1) the last day of the fiscal year following the fifth anniversary of our listing; (2) the last day of the first fiscal year in which our annual gross revenue is \$ 1.07 billion or more; (3) the date on which we have, during the previous rolling three-year period, issued more than \$ 1 billion in non-convertible debt securities; and (4) the date on which we are deemed to be a “large accelerated filer” under the rules of the SEC. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. For example, if we do not adopt a new or revised accounting standard, our future results of operations may not be comparable to the results of operations of certain other companies in our industry that adopted such standards. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile. ~~If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes appearing elsewhere in this 10-K. We base our estimates on short duration historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates.” The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses. Significant estimates and judgments involve: inventory valuation; intangible assets; income taxes; valuation of our common stock and equity awards; revenue recognition, including revenue-related reserves; shipping and handling; and the computation of earnings / loss per share. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock. Our current insurance coverage may not be adequate, and we may not be able to obtain insurance at acceptable rates, or at all. We currently have General Liability and Product Liability policies covering our business. These policies may not provide sufficient coverage in the face of significant claims or multiple claims. Claims exceeding our insurance coverage could create significant increases in internal costs. This **even** could **even** have a material adverse effect on our business, financial condition, and operating results. We may decide to pursue strategic licensing deals to accelerate our growth. These potential brand acquisitions may not be successful. We may not be able to successfully integrate future IP acquisitions or generate sufficient revenues from future acquisitions, which could cause our business to suffer. If we license an intellectual property (IP) from a company, there can be no assurance that we will be able to profitably manage this intellectual property or successfully integrate a new business unit without substantial costs, delays or other operational or financial problems. There can be no assurance that the IP we acquire in the future will achieve anticipated revenues and earnings. Additionally: ● the key personnel operating the acquired IP may decide not to work with us; ● we may be unable to maintain uniform standards, controls, procedures, and policies among acquired IPs; ● we may be unable to successfully implement infrastructure, logistics and systems integration; ● we may be held liable for legal claims (including environmental claims) arising out of activities of the acquired IP prior to our acquisitions, some of which we may not have discovered during our due diligence, and we may not have indemnification claims available to us or we may not be able to realize on any indemnification claims with respect to those legal claims; ● we will assume risks associated with deficiencies in the internal controls of acquired IPs; ● we may not be able to realize the cost savings or other financial benefits we anticipated; and ● our ongoing business may be disrupted or receive insufficient management attention. Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on attractive terms. Moreover, to the extent an acquisition transaction financed by non-equity consideration results in additional goodwill, it will reduce our tangible net worth, which might have an adverse effect on our credit and bonding capacity.~~ **Risks Related to Our Common Stock** The market prices of our common stock has been volatile and can fluctuate substantially, which could result in substantial losses for our investors. The market price of our common stock is highly volatile, and since our initial public offering in August 2022, the market price of our common stock has ranged from \$ **0.37** to \$ **7**

**96**. 00 per share **(as adjusted for our reverse stock split)**. The market price of our securities could be subject to wide fluctuations in response to a variety of factors, which include: ● actual or anticipated fluctuations in our quarterly or annual operating results; ● publication of research reports by securities analysts about us or our competitors or our industry; ● the public's reaction to our press releases, our other public announcements and our filings with the SEC; ● our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competitors may give to the market; ● additions and departures of key personnel; ● strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy; ● the passage of legislation or other regulatory developments affecting us or our industry; ● speculation in the press or investment community; ● changes in accounting principles; ● terrorist acts, acts of war or periods of widespread civil unrest; ● natural disasters and other calamities; and ● changes in general market and economic conditions. In addition, the stock market has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies. Broad market and industry factors may negatively affect the market price of our common stock and Warrants, regardless of our actual operating performance. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation. We do not intend to pay dividends for the foreseeable future. We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. We expect to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay dividends on our capital stock will be at the discretion of our board of directors. Accordingly, you must rely on the sale of your common stock after price appreciation, which may never occur, as the only way to realize any future gain on your investment. Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to the introduction of technologically more advanced products, seasonality and other factors, some of which are beyond our control, resulting in a decline in our stock price. Our quarterly operating results may fluctuate significantly because of several factors, including: ● labor availability and costs for hourly and management personnel; ● changes in interest rates; ● macroeconomic conditions, both nationally and locally; ● changes in consumer preferences and competitive conditions; ● expansion to new markets; ● weather conditions in the regions we operate; ● increases in infrastructure costs; and ● fluctuations in commodity prices. Unanticipated fluctuations in our quarterly operating results could result in a decline in our stock price.