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

# FORM 10-Q

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

**For the quarterly period ended September 30, 2026**

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

**For the transition period from _____ to _____**

Commission File Number: 001-38750

# Wrap Technologies, Inc.
(Exact name of registrant as specified in its charter)

| Delaware | 98-0551945 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

3350 Virginia Street, Suite 200
Miami, Florida 33133
(Address of principal executive offices) (Zip Code)

(800) 583-2652
(Registrant's Telephone Number, Including Area Code)

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.0001 per share | WRAP | Nasdaq Capital Market |

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

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

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

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

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

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

As of November 9, 2026 a total of 66,560,654 shares of the Registrant's common stock, par value $0.0001 per share ("*Common Stock*"), were issued and outstanding.

**WRAP TECHNOLOGIES, INC.**

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Report") may contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements are based upon management's assumptions, expectations, projections, intentions and beliefs about future events. In some cases, predictive, future-tense or forward-looking words such as "intend," "plan," "predict," "may," "will," "could," "would," "seek," "project," "target," "strategy," "estimate," "anticipate," "believe," "expect," "continue," "potential," "opportunity," "forecast," "should" and similar expressions, whether in the negative or affirmative, that reflect our current views with respect to future events and operational, economic and financial performance are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Such forward-looking statements include, but are not limited to, statements regarding: our WrapShield™ platform strategy, including its development, integration, commercialization and market adoption; our investment in, and exclusive license from, Frenel Imaging Ltd., including our ability to satisfy the license milestones and the value of our investment; the expected effect of ATF Ruling 2026-2 on demand for the BolaWrap® 150; the development, timing and commercial availability of Wraptor MX™, DFR-X™ and our counter-unmanned aircraft system initiatives, including the MERLIN program; our expectations regarding revenue, revenue mix, gross margins, operating expenses and operating losses; the sufficiency of our cash and cash equivalents to fund our operations for at least the next twelve months and our ability to obtain additional financing; the intended use of proceeds from our equity offerings; and the vesting of, and stockholder approval relating to, equity awards granted to our executive officers. Such forward-looking statements are only predictions, and actual results and the timing of certain events and circumstances may differ materially from those described by the forward-looking statements as a result of risks and uncertainties. Factors that could cause actual results to differ materially from the results anticipated in these forward-looking statements are described in this Report, including under Part II, Item 1A, "Risk Factors," and in our Annual Report on Form 10-K for the year ended December 31, 2025, including under Part I, Item 1A, "Risk Factors," and in our other reports filed with the Securities and Exchange Commission (the "SEC"). We advise you to carefully review the reports and documents we file from time to time with the SEC, particularly our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. The Company cautions readers that the forward-looking statements included in, or incorporated by reference into, this Report represent our beliefs, expectations, estimates and assumptions only as of the date of this Report and are not intended to give any assurance as to future results. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the effect of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

Readers are cautioned not to place undue reliance on forward-looking statements because of the risks and uncertainties related to them and to the risk factors. We disclaim any obligation to update the forward-looking statements contained in, or incorporated by reference into, this Report to reflect any new information or future events or circumstances or otherwise, except as required by the federal securities laws.

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Wrap Technologies, Inc.**
**Condensed Consolidated Balance Sheets**
(in thousands, except par value and share amounts)
(unaudited)

| | September 30, 2026 | December 31, 2025 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 12,089 | $ 3,468 |
| Accounts receivable and contract assets, net | 3,792 | 2,787 |
| Inventories, net | 3,938 | 4,971 |
| Prepaid expenses and other current assets | 312 | 194 |
| **Total current assets** | 20,131 | 11,420 |
| Property and equipment, net | 81 | 123 |
| Operating lease right-of-use asset, net | 405 | 2,175 |
| Intangible assets, net | 1,470 | 1,572 |
| Equity investment | 2,000 | - |
| Other assets | 25 | 128 |
| **Total assets** | 24,112 | 15,418 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | 846 | 620 |
| Accrued liabilities | 622 | 407 |
| Customer deposits | 109 | 62 |
| Deferred revenue — short term | 325 | 408 |
| Operating lease liability — short term | 93 | 320 |
| **Total current liabilities** | 1,995 | 1,817 |
| | | |
| Non-current liabilities: | | |
| Deferred revenue — long term | 4 | 14 |
| Operating lease liability — long term | 322 | 2,097 |
| **Total non-current liabilities** | 326 | 2,111 |
| **Total liabilities** | 2,321 | 3,928 |
| | | |
| **Commitments and Contingencies (Note 13)** | | |
| | | |
| **Stockholders' equity:** | | |
| Preferred stock - 5,000,000 authorized; par value $0.0001 per share; 11,707 and 12,707 shares issued and outstanding at September 30, 2026, and December 31, 2025, respectively. | - | - |
| Common stock - 200,000,000 authorized; par value $0.0001 per share; 66,432,425 and 51,733,217 shares issued and outstanding at September 30, 2026 and December 31, 2025, respectively | 6 | 5 |
| Series A convertible preferred stock - 10,000 authorized, par value $0.0001 per share; 8,107 and 8,207 shares issued and outstanding at September 30, 2026 and December 31, 2025, respectively | - | - |
| Series B convertible preferred stock - 4,500 authorized, par value $0.0001 per share, 3,600 and 4,500 shares issued and outstanding at September 30, 2026 and December 31, 2025, respectively | - | - |
| Additional paid-in-capital | 150,770 | 127,804 |
| Accumulated deficit | (128,985) | (116,319) |
| **Total stockholders' equity** | 21,791 | 11,490 |
| **Total liabilities and stockholders' equity** | $ 24,112 | $ 15,418 |

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

**Wrap Technologies, Inc.**
**Condensed Consolidated Statements of Operations and Comprehensive Loss**
(in thousands, except share and per share amounts)
(unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| Revenues: | | | | |
| Product sales | $ 1,286 | $ 1,072 | $ 3,916 | $ 1,430 |
| Technology enabled services | 225 | 419 | 758 | 1,838 |
| Total revenues, net | 1,511 | 1,491 | 4,674 | 3,268 |
| Cost of revenues | 681 | 608 | 1,608 | 1,303 |
| Gross profit | 830 | 883 | 3,066 | 1,965 |
| | | | | |
| Operating expenses: | | | | |
| Selling, general and administrative | 4,590 | 3,477 | 13,589 | 10,887 |
| Research and development | 169 | 167 | 426 | 619 |
| Total operating expenses | 4,759 | 3,644 | 14,015 | 11,506 |
| Loss from operations | (3,929) | (2,761) | (10,949) | (9,541) |
| | | | | |
| Other income (expense): | | | | |
| Interest income | 1 | 2 | 4 | 6 |
| Change in fair value of warrant liabilities | - | - | - | 3,158 |
| Gain on lease termination | - | - | 227 | - |
| Other | (3) | (14) | (10) | (14) |
| Total other income (expense), net | (2) | (12) | 221 | 3,150 |
| Net loss | $ (3,931) | $ (2,773) | $ (10,728) | $ (6,391) |
| | | | | |
| Less: Convertible preferred stock dividends | (162) | (164) | (573) | (492) |
| Less: Deemed dividend - down-round adjustment | (1,365) | - | (1,365) | - |
| Net loss attributable to common stockholders | $ (5,458) | $ (2,937) | $ (12,666) | $ (6,883) |
| | | | | |
| Net loss per basic and diluted share | $ (0.09) | $ (0.06) | $ (0.22) | $ (0.14) |
| Weighted average common shares — basic and diluted | 60,096,774 | 51,096,292 | 56,632,150 | 49,998,057 |
| | | | | |
| Comprehensive loss: | | | | |
| Net loss | (3,931) | (2,773) | (10,728) | (6,391) |
| Total comprehensive loss | (3,931) | (2,773) | (10,728) | (6,391) |

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

**Wrap Technologies, Inc.**
**Condensed Consolidated Statements of Stockholders' Equity**
(in thousands, except share amounts)
(unaudited)

| | Common Stock | | Preferred Stock | | | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | Series A Convertible | | Series B Convertible | | | | |
| | Shares | Amount | Shares | Amount | Shares | Amount | | | |
| Balance at December 31, 2025 | 51,733,217 | $ 5 | 8,207 | $ - | 4,500 | $ - | $ 127,804 | $ (116,319) | $ 11,490 |
| Share-based compensation expense | - | - | - | - | - | - | 2,384 | - | 2,384 |
| Dividends on convertible preferred stock | 462,656 | - | - | - | - | - | 249 | (249) | - |
| Common Stock issued upon vesting of restricted stock units | 72,888 | - | - | - | - | - | - | - | - |
| Common Stock issued upon conversion of preferred stock | 668,965 | - | (100) | - | (900) | - | - | - | - |
| Common Stock and pre-funded warrants issued with Private Placement | 2,500,000 | - | - | - | - | - | 5,000 | - | 5,000 |
| Common Stock issued upon warrant exercise | 68,966 | - | - | - | - | - | 100 | - | 100 |
| Net loss | - | - | - | - | - | - | - | (4,540) | (4,540) |
| Balance at March 31, 2026 | 55,506,692 | $ 5 | 8,107 | $ - | 3,600 | $ - | $ 135,537 | $ (121,108) | $ 14,434 |
| Share-based compensation expense | - | - | - | - | - | - | 1,019 | - | 1,019 |
| Common stock issued for professional services | 96,775 | - | - | - | - | - | 150 | - | 150 |
| Dividends on convertible preferred stock | 162,836 | - | - | - | - | - | 162 | (162) | - |
| Common Stock issued upon vesting of restricted stock units | 91,630 | - | - | - | - | - | - | - | - |
| Net loss | - | - | - | - | - | - | - | (2,257) | (2,257) |
| Balance at June 30, 2026 | 55,857,933 | $ 5 | 8,107 | $ - | 3,600 | $ - | $ 136,868 | $ (123,527) | $ 13,346 |
| Share-based compensation expense | - | - | - | - | - | - | 1,379 | - | 1,379 |
| Dividends on convertible preferred stock | 156,359 | - | - | - | - | - | 162 | (162) | - |
| Common stock issued for restricted stock awards | 4,554,340 | - | - | - | - | - | - | - | - |
| Common Stock issued upon vesting of restricted stock units | 24,774 | - | - | - | - | - | - | - | - |
| Common Stock issued upon exercise of stock options | 67,500 | - | - | - | - | - | 92 | - | 92 |
| Common Stock and Pre-funded Warrants issued in registered direct offering, net of offering costs | 5,771,519 | 1 | - | - | - | - | 10,904 | - | 10,905 |
| Deemed dividend – down-round adjustment | - | - | - | - | - | - | 1,365 | (1,365) | - |
| Net loss | - | - | - | - | - | - | - | (3,931) | (3,931) |
| Balance at September 30, 2026 | 66,432,425 | $ 6 | 8,107 | $ - | 3,600 | $ - | $ 150,770 | $ (128,985) | $ 21,791 |

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

**Wrap Technologies, Inc.**
**Condensed Consolidated Statements of Stockholders' Equity**
(in thousands, except share amounts)
(unaudited)

| | Common Stock | | Preferred Stock | | | | Additional | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | Series A Convertible | | Series B Convertible | | Paid-in | Accumulated | Stockholders' |
| | Shares | Amount | Shares | Amount | Shares | Amount | Capital | Deficit | Equity |
| Balance at December 31, 2024 | 47,101,631 | $ 5 | 8,207 | - | - | - | $ 105,326 | $ (105,081) | $ 250 |
| Share-based compensation expense | - | - | - | - | - | - | 1,665 | - | 1,665 |
| Dividends on convertible preferred stock | 113,205 | - | - | - | - | - | 164 | (164) | - |
| Common Stock issued upon vesting of restricted stock units | 63,199 | - | - | - | - | - | - | - | - |
| Common Stock issued — Private Placement | 3,216,666 | - | - | - | - | - | 543 | - | 543 |
| Net income for the period | - | - | - | - | - | - | - | 109 | 109 |
| Balance at March 31, 2025 | 50,494,701 | $ 5 | 8,207 | $ - | - | $ - | $ 107,698 | $ (105,136) | $ 2,567 |
| Share-based compensation expense | - | - | - | - | - | - | 770 | - | 770 |
| Dividends on convertible preferred stock | 139,431 | - | - | - | - | - | 164 | (164) | - |
| Common Stock issued upon vesting of restricted stock units | 94,403 | - | - | - | - | - | - | - | - |
| Reclassification of warrant liability due to warrant amendment | - | - | - | - | - | - | 12,151 | - | 12,151 |
| Net loss | - | - | - | - | - | - | - | (3,727) | (3,727) |
| Balance at June 30, 2025 | 50,728,535 | $ 5 | 8,207 | $ - | - | $ - | $ 120,783 | $ (109,027) | $ 11,761 |
| Share-based compensation expense | - | - | - | - | - | - | 638 | - | 638 |
| Dividends on convertible preferred stock | 153,409 | - | - | - | - | - | 164 | (164) | - |
| Common Stock issued upon vesting of restricted stock units | 615,766 | - | - | - | - | - | - | - | - |
| Series B Convertible Preferred Stock issuance | - | - | - | - | 4,500 | - | 4,500 | - | 4,500 |
| Net loss | - | - | - | - | - | - | - | (2,773) | (2,773) |
| Balance at September 30, 2025 | 51,497,710 | $ 5 | 8,207 | $ - | 4,500 | $ - | $ 126,085 | $ (111,964) | $ 14,126 |

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

**Wrap Technologies, Inc.**
**Condensed Consolidated Statements of Cash Flows**
(in thousands)
(unaudited)

| | Nine Months Ended September 30, 2026 | 2025 |
|---|---|---|
| Cash Flows From Operating Activities: | | |
| Net loss | $ (10,728) | $ (6,391) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation and amortization | 158 | 455 |
| Impairment of intangibles | 151 | - |
| Loss on disposition of assets | - | 9 |
| Share-based compensation | 4,782 | 3,073 |
| Common stock issued for professional services | 150 | - |
| Warranty provision | 29 | 42 |
| Gain on lease termination | (227) | - |
| Change in fair value of warrant liabilities | - | (3,158) |
| Non-cash lease expense | 96 | (278) |
| Provision for credit losses | 180 | 35 |
| Inventory obsolescence reserve | 486 | (397) |
| | | |
| Changes in assets and liabilities: | | |
| Accounts receivable and contract assets | (1,185) | (1,344) |
| Inventories | 547 | 1,106 |
| Prepaid expenses and other current assets | (118) | (156) |
| Accounts payable | 226 | (13) |
| Operating lease liabilities | (101) | 295 |
| Customer deposits | 47 | 34 |
| Accrued liabilities and other | 192 | (876) |
| Warranty settlements | (6) | (13) |
| Deferred revenue | (93) | (105) |
| Other non-current assets | 103 | 58 |
| Net cash used in operating activities | (5,311) | (7,624) |
| | | |
| Cash Flows From Investing Activities: | | |
| Capital expenditures for property and equipment | (15) | (93) |
| Investment in patents, trademarks and other intangibles | (150) | (156) |
| Purchase of equity investment | (2,000) | - |
| Net cash used in investing activities | (2,165) | (249) |
| | | |
| Cash Flows From Financing Activities: | | |
| Proceeds from exercise of stock options | 92 | - |
| Proceeds from private placement | 5,000 | - |
| Proceeds from issuance of common stock, net of issuance costs | 10,905 | - |
| Proceeds from warrant exercise | 100 | - |
| Proceeds from issuance of Series B convertible preferred stock | - | 4,500 |
| Proceeds from issuance of common stock and warrants, net | - | 5,728 |
| Net cash provided by financing activities | 16,097 | 10,228 |
| | | |
| Net increase in cash and cash equivalents | $ 8,621 | $ 2,355 |
| Cash and cash equivalents, beginning of period | $ 3,468 | $ 3,610 |
| Cash and cash equivalents, end of period | $ 12,089 | $ 5,965 |
| | | |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities: | | |
| Reclassification of warrant liabilities to additional paid in capital | $ - | $ 12,151 |
| Deemed dividend – down-round adjustment of preferred stock and warrants | $ (1,365) | $ - |
| Dividends declared on convertible preferred stock | $ (573) | $ (492) |
| Dividends settled with common stock | $ 573 | $ 492 |

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

## 1. ORGANIZATION, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT DEVELOPMENTS

### Organization and Business Description

Wrap Technologies, Inc., a Delaware corporation (the "Company", "we", "us", and "our"), is a publicly traded company with its common stock, par value $0.0001 per share ("Common Stock"), listed on the Nasdaq Capital Market ("Nasdaq") under the trading symbol "WRAP." The Company is a developer and supplier of public safety technologies, products, and training services for law enforcement and security personnel. The Company's principal product is the BolaWrap® 150, a handheld remote restraint device sold together with recurring consumable cassettes and related accessories. The Company also offers technology-enabled services, including Wrap Reality, a virtual reality training simulator, WrapTactics™, a subscription-based digital training platform, WrapVision™, a body-worn camera and digital evidence management solution, and managed services and policy support. The Company is developing WrapShield™, an integrated detection, orchestration, and response architecture for public safety and security applications, together with additional non-lethal response products that remain in development. The principal markets for the Company's proprietary products and services are in North and South America, Europe, the Middle East, Africa and Asia.

### Basis of Presentation

The Company's unaudited interim condensed consolidated financial statements included herein have been prepared in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X and the rules and regulations of the Securities and Exchange Commission ("*SEC*"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("*U.S. GAAP*") have been condensed or omitted pursuant to such rules and regulations. In management's opinion, the accompanying financial statements reflect adjustments necessary to present fairly the financial position, results of operations, and cash flows for those periods indicated, and contain adequate disclosure to make the information presented not misleading. Adjustments included herein are of a normal, recurring nature unless otherwise disclosed in the footnotes. The condensed consolidated financial statements and notes thereto should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2025, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 (the "*Annual Report*"), as filed with the SEC on March 26, 2026. The accompanying condensed consolidated balance sheet as of December 31, 2025 has been derived from the audited consolidated balance sheet as of that date, contained in the Annual Report. Results of operations for interim periods are not necessarily indicative of the results of operations for a full year.

### Principles of Consolidation

The Company has three wholly owned subsidiaries, Wrap Reality, Inc., that sells a virtual reality ("*VR*") training system primarily targeting law enforcement agencies, Intrensic, LLC ("Intrensic"), specializing in Body Worn Camera and Digital Evidence Management solutions and Wrap Federal, LLC, formed to support federal government clients in federal agencies. The condensed consolidated financial statements include the accounts of these subsidiaries after elimination of intercompany transactions and accounts.

### Segment and Related Information

The Company operates as a single operating and reportable segment. The Company's Chief Operating Decision Maker is its Chief Executive Officer, who manages operations for purposes of allocating resources on a consolidated basis.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could materially differ from those estimates.

**Revenue Recognition**

The Company recognizes revenue under ASC Topic 606 - Revenue from Contracts with Customers (“ASC 606”). Revenue is recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to receive. The Company's revenues consist of product sales (BolaWrap devices, cassettes, and accessories) and technology-enabled services (software subscriptions, body-worn cameras, managed services, policy support, training, and shipping).

**Warrants**

As of September 30, 2026, all outstanding warrants (Series A Warrants, PIPE Warrants, Series B Warrants, February 2026 Common Warrants and August 2026 Pre-Funded Warrants, each as defined herein) are classified within permanent equity (additional paid-in capital). The Series A Warrants and PIPE Warrants were reclassified to equity following amendments executed on June 30, 2025 that enabled equity classification under ASC 815-40, and the Series B Warrants, February 2026 Common Warrants and August 2026 Pre-Funded Warrants were classified within equity upon issuance, as discussed further in Note 8. These warrants are not subject to subsequent fair value remeasurement and no warrant liability is recorded as of September 30, 2026 or December 31, 2025.

**Loss per Share**

Basic loss per share ("EPS") is computed by dividing net loss, less any dividends (including deemed dividends resulting from the triggering of down-round features), accretion or decretion, redemption or induced conversion, if any, on the Company’s Series A Convertible Preferred Stock ("Series A Preferred Stock") and Series B Convertible Preferred Stock, par value $0.0001 per share ("Series B Preferred Stock"), by the weighted average number of shares outstanding during the reported period. Shares of Common Stock issuable upon exercise of the February 2026 Pre-Funded Warrants and the August 2026 Pre-Funded Warrants (each as defined in Note 8), which are exercisable for nominal consideration, are included in the weighted average number of shares outstanding from their date of issuance. Unvested shares of Common Stock issued pursuant to performance-based restricted stock awards (4,554,340 shares in the aggregate as of September 30, 2026) are subject to forfeiture until the applicable market conditions are achieved and the requisite service is rendered and, accordingly, are excluded from the weighted average number of shares outstanding used in computing basic and diluted EPS.

In computing diluted EPS, the Company adjusts the numerator used in the basic EPS computation, subject to anti-dilution requirements, to add back the dividends (declared or cumulative undeclared) applicable to the Series A Preferred Stock and Series B Preferred Stock. Such add-back would also include any adjustments to equity in the period to accrete the Series A Preferred Stock and Series B Preferred Stock to its redemption price, or recorded upon a redemption or induced conversion, if any. The Company adjusts the denominator used in the basic EPS computation, subject to anti-dilution requirements, to include the dilution from potential shares resulting from the issuance of the Series A Preferred Stock and Series B Preferred Stock, restricted stock units, and stock options. Stock options, restricted stock units and unvested restricted stock awards exercisable, or issuable subject to vesting for a total of 14,883,478 shares and 7,089,678 shares of Common Stock were outstanding as of September 30, 2026 and 2025, respectively. In addition, as of September 30, 2026, 5,790,714 and 2,400,000 shares of Common Stock were issuable upon conversion of the Series A Preferred Stock and Series B Preferred Stock, respectively, and 15,788,096 shares of Common Stock were issuable upon exercise of the Series A Warrants, Series B Warrants, PIPE Warrants and February 2026 Common Warrants. These securities are not included in the computation of diluted net loss per share of Common Stock for the periods presented as their inclusion would be antidilutive due to losses incurred by the Company.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation, including the combination of managed services and other revenue, previously reported as separate line items, into technology enabled services, the presentation of sales returns and allowances, previously reported as a separate line item, as a reduction of product sales, and the combination of the provision for doubtful accounts and write-off of accounts receivable into (reversal)/provision for credit losses in the condensed consolidated statements of cash flows. These reclassifications had no effect on previously reported total revenues, net loss, total assets, total liabilities, stockholders’ equity, or cash flows.

**Recently Issued Accounting Guidance Not Yet Effective**

In November 2024, the Financial Accounting Standards Board ("FASB") issued ASU 2024-03, which requires disaggregated disclosure of income statement expenses for public business entities. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The Company is currently evaluating the impact of ASU 2024-03 on its financial statements.

## 2. REVENUE AND PRODUCT COSTS

Revenues consist of product sales and technology-enabled services. Product sales include BolaWrap devices, cassettes, and accessories. Technology-enabled services include software subscriptions, body-worn cameras, managed services, policy and training support, and shipping revenue.

The table below details the activity in our contract liabilities during the nine months ended September 30, 2026.

| | Customer Deposits | Deferred Revenue |
|---|---|---|
| Balance at January 1, 2026 | $ 62 | $ 422 |
| Additions, net | 78 | 567 |
| Transfer to revenue | (31) | (660) |
| Balance at September 30, 2026 | $ 109 | $ 329 |
| | | |
| Current portion | $ 109 | $ 325 |
| Long-term portion | $ - | $ 4 |

As of September 30, 2026, the Company's deferred revenue of $329 consisted of $279 related to Intrensic extended warranties and services, $27 related to WRAP Ready, $13 related to VR, $6 related to BolaWrap extended warranties and services, and $4 related to WrapTactics.

## 3. FINANCIAL INSTRUMENTS

Assets and liabilities recorded at fair value on a recurring basis in the Condensed Consolidated Balance Sheets and assets and liabilities measured at fair value on a non-recurring basis or disclosed at fair value, are categorized based upon the level of judgment associated with inputs used to measure their fair values. The accounting guidance for fair value provides a framework for measuring fair value and requires certain disclosures about how fair value is determined. Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The accounting guidance also establishes a three-level valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether such inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the reporting entity. The three-level hierarchy for the inputs to valuation techniques is briefly summarized as follows:

*Level 1*-Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

*Level 2*-Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

*Level 3*-Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

The following table presents the Company's money market funds measured at fair value on a recurring basis as of September 30, 2026 and December 31, 2025. These amounts are classified as cash equivalents and are included in cash and cash equivalents on the Company's condensed consolidated balance sheets. The Company does not report a separate short-term investments line.

| | As of September 30, 2026 | | | |
|---|---|---|---|---|
| | Adjusted Cost | Unrealized Gains | Unrealized Losses | Market Value |
| Level 1: | $ | $ | $ | $ |
| Money Market Funds | $ 643 | $ - | $ - | $ 643 |
| Total financial assets | $ 643 | $ - | $ - | $ 643 |

| | As of December 31, 2025 | | | |
|---|---|---|---|---|
| | Adjusted Cost | Unrealized Gains | Unrealized Losses | Market Value |
| Level 1: | $ | $ | $ | $ |
| Money Market Funds | $ 639 | $ - | $ - | $ 639 |
| Total financial assets | $ 639 | $ - | $ - | $ 639 |

As of September 30, 2026 and December 31, 2025, the Company has no warrant liabilities, and all outstanding warrants are classified within permanent equity. The Series A Warrants and PIPE Warrants were reclassified from warrant liabilities to equity following amendments completed on June 30, 2025, while the Series B Warrants, February 2026 Common Warrants and August 2026 Pre-Funded Warrants were classified within equity upon issuance. Refer to Note 8 for further discussion. Other financial instruments, including accounts receivable, accounts payable, accrued liabilities and customer deposits, are carried at cost which approximates fair value due to their short-term nature.

**Equity Investment**

In July 2026, the Company acquired a minority equity interest in Frenel Imaging Ltd. ("Frenel") for $2,000. The investment consists of preferred shares of a privately held company and does not have a readily determinable fair value. The Company accounts for the investment using the measurement alternative under ASC 321, Investments-Equity Securities, under which the investment is carried at cost, less any impairment, and adjusted for observable price changes in orderly transactions for identical or similar investments of the same issuer. As of September 30, 2026, no impairment losses or observable price adjustments had been recognized, and the carrying value of the investment was $2,000. The Company has the right to invest up to an additional $2,500 in Frenel. See Note 14, Related Party Transactions, for information regarding the participation of the Company's Chief Executive Officer in the Frenel financing.

## 4. INVENTORIES

Inventory is recorded at the lower of cost or net realizable value using the weighted average cost method. Inventories consisted of the following:

| | September 30, 2026 | December 31, 2025 |
|---|---|---|
| Finished goods | $ 3,056 | $ 3,509 |
| Raw materials | 1,443 | 1,978 |
| Reserve for obsolescence | (561) | (516) |
| Inventories, net | $ 3,938 | $ 4,971 |

Inventory reserve expense was $413 and $486 for the three and nine months ended September 30, 2026, respectively, and $83 and $270 for the three and nine months ended September 30, 2025, respectively.

## 5. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

| | September 30, 2026 | December 31, 2025 |
|---|---|---|
| Production and lab equipment | $ 377 | $ 391 |
| Tooling | 564 | 570 |
| Computer equipment | 198 | 183 |
| Furniture, fixtures and improvements | 82 | 81 |
| Property and equipment, gross | $ 1,221 | $ 1,225 |
| Accumulated depreciation | (1,140) | (1,102) |
| Property and equipment, net | $ 81 | $ 123 |

Depreciation expense was $12 and $57 for the three and nine months ended September 30, 2026, respectively, and $25 and $92 for the three and nine months ended September 30, 2025, respectively.

## 6. INTANGIBLE ASSETS

**Intangible Assets, net**

Intangible assets, net consisted of the following:

| | September 30, 2026 | December 31, 2025 |
|---|---|---|
| Amortizable intangible assets: | | |
| Patents | $ 1,072 | $ 1,142 |
| Trademarks | 338 | 367 |
| Purchased software and technology | 512 | 512 |
| Gross amortizable intangibles | $ 1,922 | $ 2,021 |
| Accumulated amortization | (873) | (870) |
| Total amortizable, net | $ 1,049 | $ 1,151 |
| Indefinite life assets (non-amortizable) | 421 | 421 |
| Total intangible assets, net | $ 1,470 | $ 1,572 |

Amortization expense was $35 and $101 for the three and nine months ended September 30, 2026, respectively, and $125 and $362 for the three and nine months ended September 30, 2025, respectively. During the three months ended September 30, 2026, the Company recorded a non-cash impairment charge of $151, consisting of $69 related to trademarks and $82 related to patents, to write off patents and trademarks that were no longer of value or in use by the Company. The impairment charge was recorded as an increase to accumulated amortization and is included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations and comprehensive loss. During the three and nine months ended September 30, 2025, the Company recognized impairment charges for customer relationships of $54 related to the managed services realignment.

As of September 30, 2026, future amortization expense is as follows:

| | |
|---|---|
| 2026 (3 months) | $ 30 |
| 2027 | 115 |
| 2028 | 100 |
| 2029 | 98 |
| 2030 | 98 |
| Thereafter | 608 |
| Total | $ 1,049 |

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accrued liabilities consist of the following:

| | September 30, 2026 | December 31, 2025 |
|---|---|---|
| Patents and legal costs | $ 253 | $ 111 |
| Accrued compensation | 39 | 2 |
| Warranty costs | 53 | 30 |
| Royalty | 99 | 99 |
| Accrued purchases | - | 6 |
| Taxes and other | 178 | 159 |
| Total accrued liabilities | $ 622 | $ 407 |

Changes in our estimated product warranty costs were as follows:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2026 | 2025 |
| Balance, beginning of period | $ 30 | $ 83 |
| Warranty settlements | (6) | (13) |
| Warranty provision | 29 | 42 |
| Balance, end of period | $ 53 | $ 112 |

**8. WARRANTS**

All outstanding warrants are classified within permanent equity as of September 30, 2026 and December 31, 2025.

The following summarizes the Company's outstanding warrants:

*Series A Warrants* — On July 3, 2023, the Company issued warrants (the "Series A Warrants") to purchase up to 6,896,553 shares of Common Stock at an exercise price of $1.45 per share in connection with the Series A Preferred Stock offering. On June 30, 2025, the Company entered into an amendment agreement (the "Series A Warrant Amendment") with the Required Holders (as defined in the Series A Warrants), which resulted in reclassification of the Series A Warrants from warrant liabilities to additional paid-in capital under ASC 815-40. The amended warrants expire on January 3, 2030 (six and one-half years from original issuance).

*PIPE Warrants* — On February 24, 2025, the Company issued warrants (the "PIPE Warrants") to purchase up to 3,216,666 shares of Common Stock at an exercise price of $1.80 per share in connection with a private placement. On June 30, 2025, the Company entered into an amendment agreement (the "2025 Warrant Amendment") with the PIPE holders, resulting in reclassification from warrant liabilities to additional paid-in capital under ASC 815-40. The amended PIPE Warrants expire five and one-half years from the original issuance date.

*Series B Warrants* — On August 18, 2025, the Company issued warrants (the "Series B Warrants") to purchase up to 3,000,000 shares of Common Stock at an exercise price of $1.50 per share in connection with the Series B Preferred Stock private placement. The Series B Warrants became exercisable on December 12, 2025, the date stockholder approval was obtained, and expire on December 12, 2030. The Series B Warrants are classified within permanent equity.

*February 2026 Warrants* — On February 3, 2026, the Company issued pre-funded warrants (the "February 2026 Pre-Funded Warrants") to purchase up to 800,000 shares of Common Stock at an exercise price of $0.0001 per share and common warrants (the "February 2026 Common Warrants") to purchase up to 2,500,000 shares of Common Stock at an exercise price of $2.30 per share in connection with a private placement (the "February 2026 Private Placement"). The February 2026 Pre-Funded Warrants and the February 2026 Common Warrants were classified as equity within additional paid-in capital under ASC 815-40 upon issuance. The February 2026 Pre-Funded Warrants expire when exercised in full, and the February 2026 Common Warrants expire on February 3, 2031, five years from the date of issuance. The February 2026 Pre-Funded Warrants were exercised in full on February 26, 2026, and the 800,000 underlying shares of Common Stock were issued. None of the February 2026 Pre-Funded Warrants remain outstanding as of September 30, 2026.

*August 2026 Pre-Funded Warrants* — On August 18, 2026, in connection with the August 2026 Registered Direct Offering (as defined in Note 10), the Company issued pre-funded warrants (the “August 2026 Pre-Funded Warrants”) to purchase up to 2,800,090 shares of Common Stock at an exercise price of $0.0001 per share, at a purchase price of $1.3999 per August 2026 Pre-Funded Warrant. The August 2026 Pre-Funded Warrants were classified as equity within additional paid-in capital under ASC 815-40 upon issuance and expire when exercised in full. A holder may not exercise any portion of its August 2026 Pre-Funded Warrants to the extent that the holder, together with its affiliates, would beneficially own more than 4.99% (or, at the election of the holder, 9.99%) of the Company’s outstanding Common Stock immediately after exercise. As of September 30, 2026, none of the August 2026 Pre-Funded Warrants had been exercised.

*Down-Round Adjustment* — The August 2026 Registered Direct Offering was priced at $1.40 per share, which was below the then-applicable exercise prices of the Series A Warrants ($1.45), the Series B Warrants ($1.50), the PIPE Warrants ($1.80) and the February 2026 Common Warrants ($2.30). Pursuant to the price-based anti-dilution provisions of those warrants, effective August 16, 2026, the exercise price of each series was reduced to $1.40 per share, and the number of shares of Common Stock issuable upon exercise of the outstanding Series A Warrants increased from 6,827,587 to 7,071,430. The conversion price of the Series A Preferred Stock was also reduced to $1.40 per share. See Note 10 for the related deemed dividend.

**9. LEASES**

The Company determines if an arrangement is a lease at inception. The guidance in FASB ASC Topic 842, Leases defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. Operating lease right of use ("ROU") assets and lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. The Company's leases do not provide an implicit rate. Due to a lack of financing history or ability, the Company uses an estimate of low-grade debt rate published by the Federal Reserve Bank as its incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. The ROU asset includes any lease payments made and excludes lease incentives and initial direct costs incurred.

Amortization expense was $21 and $96 for the three and nine months ended September 30, 2026, respectively, and $76 and $204 for the three and nine months ended September 30, 2025, respectively. Operating lease expense for capitalized operating leases included in operating activities was $29 and $170 for the three and nine months ended September 30, 2026, respectively, and $154 and $463 for the three and nine months ended September 30, 2025, respectively.

Operating lease obligations recorded on the balance sheet at September 30, 2026 are:

| | September 30, 2026 |
|---|---|
| Operating lease liability — short term | $ 93 |
| Operating lease liability — long term | 322 |
| Total operating lease liability | $ 415 |

Future lease payments included in the measurement of lease liabilities on the balance sheet at September 30, 2026 for future periods are as follows:

| | |
|---|---|
| 2026 (3 months) | $ 30 |
| 2027 | 120 |
| 2028 | 120 |
| 2029 | 120 |
| 2030 | 90 |
| Thereafter | - |
| Total future minimum lease payments | 480 |
| Less imputed interest | (65) |
| Total | $ 415 |

The weighted average remaining lease term is 4.00 years, and the weighted average discount rate is 7.5%**.**

Certain leases contain provisions for payment of real estate taxes, insurance and maintenance costs by the Company. These expenses are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred. The Company had $0 and $2 variable lease expense for the three months ended September 30, 2026 and 2025, respectively, and $1 and $33 for the nine months ended September 30, 2026 and 2025, respectively.

The Company had no short-term lease expenses for the three and nine months ended September 30, 2026 and 2025 respectively. The Company does not have any finance leases.

On February 13, 2026, the Company entered into a Termination and Mutual Release Agreement with the landlord of the Company's office space located at 3480 Main Highway, Suite 202, Miami, Florida 33133. Pursuant to the agreement, the office lease dated September 20, 2023 was terminated effective as of February 13, 2026, and the Company surrendered possession of the premises. The landlord agreed to refund the prorated portion of February 2026 rent attributable to the period following the termination date and to return the security deposit in accordance with the terms of the original lease. The parties exchanged mutual releases of all claims arising out of or relating to the lease, except for obligations expressly set forth in the termination agreement and any obligations that by their terms survive termination. In March 2026, the Company entered into a month-to-month service agreement for a business address located at 3350 Virginia Street, Miami, Florida 33133.

In accordance with ASC 842, upon termination of the lease the Company derecognized the operating lease right-of-use asset of $1,674 and the related operating lease liability of $1,901 as of the February 13, 2026 termination date, resulting in a non-cash gain on lease termination of $227. The gain, which represents the excess of the lease liability extinguished over the right-of-use asset derecognized, was recognized during the three months ended March 31, 2026 and is presented in other income (expense), net in the condensed consolidated statements of operations. The refund of prorated February 2026 rent and the return of the security deposit did not have a material effect on the gain recognized.

**10. STOCKHOLDERS' EQUITY**

The Company's authorized capital consists of 200,000,000 shares of Common Stock and 5,000,000 shares of preferred stock, par value $0.0001 per share, of which 10,000 shares are designated as Series A Convertible Preferred Stock and 4,500 shares are designated as Series B Convertible Preferred Stock.

Common Stock

During the nine months ended September 30, 2026, the Company issued 96,775 shares of Common Stock to a vendor in settlement of a $150 invoice for investor relations services rendered. The shares were issued in full satisfaction of the amount owed, with no cash paid and no future service or vesting condition attached. The Company recorded the $150 expense within selling, general and administrative expenses in the accompanying condensed consolidated statements of operations and comprehensive loss, based on the fair value of the shares issued of $1.55 per share on the issuance date.

During the three months ended September 30, 2026, the Company issued 67,500 shares of Common Stock upon the exercise of stock options.

*August 2026 Registered Direct Offering* - On August 16, 2026, the Company entered into a securities purchase agreement with an institutional investor and an existing investor for the issuance and sale in a registered direct offering (the "August 2026 Registered Direct Offering") of 5,771,519 shares of Common Stock at a purchase price of $1.40 per share and August 2026 Pre-Funded Warrants to purchase up to 2,800,090 shares of Common Stock at a purchase price of $1.3999 per August 2026 Pre-Funded Warrant. The offering was made pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-291707). Maxim Group LLC acted as placement agent. The August 2026 Registered Direct Offering closed on August 18, 2026, and resulted in gross proceeds of approximately $12,000 and net proceeds of $10,905, after deducting placement agent fees and other offering expenses of approximately $1,095.

*Series A Preferred Stock*

On July 3, 2023, the Company designated and issued 10,000 shares of Series A Preferred Stock (stated value $1,000 per share) convertible into shares of Common Stock at an initial conversion price of $1.45 per share. As of September 30, 2026 and December 31, 2025, there were 8,107 and 8,207 shares outstanding, respectively. Holders are entitled to dividends of 8% per annum, payable in cash or shares of Common Stock at the Company's election. For the nine months ended September 30, 2026 and 2025, the Company paid dividends of $573 and $492, respectively, in shares of Common Stock.

As a result of the August 2026 Registered Direct Offering, the conversion price of the Series A Preferred Stock was reduced from $1.45 to $1.40 per share pursuant to its price-based anti-dilution provisions, and the exercise prices of the Series A Warrants, Series B Warrants, PIPE Warrants and February 2026 Common Warrants were reduced to $1.40 per share, as described in Note 8. In accordance with ASC 260, Earnings Per Share, the Company measured the value of the effect of the down-round features as the difference between the fair value of the affected instruments immediately before and after the adjustment, based on a valuation prepared by an independent third-party valuation firm, and recognized a deemed dividend of $1,365 during the three months ended September 30, 2026. The deemed dividend consisted of $1,018 related to the warrants (Series A Warrants $394, Series B Warrants $58, PIPE Warrants $231 and February 2026 Common Warrants $335) and $347 related to the Series A Preferred Stock. The deemed dividend was recorded as an increase to additional paid-in capital and a corresponding increase to accumulated deficit, and is reflected as an increase to net loss attributable to common stockholders in the computation of basic and diluted net loss per share.

*Series B Preferred Stock*

On August 18, 2025, the Company issued 4,500 shares of Series B Preferred Stock (stated value $1,000 per share) convertible into up to 3,000,000 shares of Common Stock at an initial conversion price of $1.50 per share. As of September 30, 2026 and December 31, 2025, there were 3,600 and 4,500 shares outstanding, respectively. Holders are entitled to dividends when and as declared by the Company's board of directors (the "Board"), payable in cash or shares of the Company's securities. No dividends were declared or paid during the nine months ended September 30, 2026.

**11. SHARE-BASED COMPENSATION**

The Company maintains the Wrap Technologies, Inc. 2017 Equity Compensation Plan (the "2017 Plan"), which was most recently amended on December 12, 2025 to authorize up to 20,500,000 shares of Common Stock for issuance as equity awards under the 2017 Plan.

As of September 30, 2026, there were 335,452 shares of Common Stock remaining available for grant under the 2017 Plan.

Stock Options

The following table summarizes stock option activity for the nine months ended September 30, 2026:

| | Options on Common Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Terms | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding December 31, 2025 | 6,449,534 | $ 2.05 | 8.56 | $ 3,706 |
| Granted | 5,978,490 | 2.03 | - | - |
| Exercised | (67,500) | 1.34 | - | - |
| Forfeited, cancelled, expired | (2,081,584) | 2.23 | - | - |
| Outstanding September 30, 2026 | 10,278,940 | 2.01 | 8.55 | 110 |
| Exercisable September 30, 2026 | 3,299,880 | $ 2.09 | 8.11 | $ 41 |

As of September 30, 2026, there were 8,913,774 service-based stock options outstanding, 1,290,166 market-condition stock options outstanding, and 75,000 performance-condition stock options outstanding.

The 1,290,166 market-condition options were granted in October 2023 to the Company's current Chief Executive Officer and vest based on the achievement of future market-capitalization targets. Because vesting is based on the Company's market capitalization, the awards contain a market condition under ASC 718. The grant-date fair value was estimated using a Monte Carlo simulation model, which incorporates the probability of achieving the market-capitalization targets, and the related compensation expense is recognized over the derived service period. Such expense is not reversed if the market-capitalization targets are not achieved, provided the requisite service is rendered.

The 75,000 performance-condition options were granted to a consultant and vest upon the Company's execution of a specified customer contract. Because vesting depends on a specified operating milestone, the awards contain a performance condition under ASC 718. Compensation expense for these options is recognized when achievement of the performance condition becomes probable and is adjusted in subsequent periods for changes in the assessed probability of achievement.

The Company uses the Black-Scholes option pricing model to determine the fair value of the service-based options that have been granted. The following table summarizes the assumptions used to compute the fair value of options granted to employees and non-employees:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2026 | 2025 |
| Expected stock price volatility | 76% | 76% |
| Risk-free interest rate | 4.00% | 3.87% |
| Expected dividend yield | 0% | 0% |
| Expected life of options | 5.93 | 6.00 |
| Weighted-average fair value of options granted | $ 1.40 | $ 1.28 |

Estimated volatility is a measure of the amount by which the Company's stock price is expected to fluctuate each year during the expected life of awards. The Company's estimated volatility was based on an average of the historical volatility of peer entities whose stock prices were publicly available. The Company's calculation of estimated volatility is based on the historical stock prices of these peer entities over a period equal to the expected life of the awards. The Company uses the historical volatility of peer entities due to the lack of sufficient historical data of its stock price. The Company records forfeitures as they are incurred.

The risk-free interest rate assumption is based upon observed interest rates on zero coupon U.S. Treasury bonds whose maturity period is appropriate for the term of the options. The dividend yield of 0% is based on the fact that the Company has never paid cash dividends and has no present intention of paying cash dividends. The Company calculates the expected life of the options using the Simplified Method for the employee stock options as the Company does not have sufficient historical exercise data.

Stock option expense was $964 and $295 for the three months ended September 30, 2026 and 2025, respectively, and $3,842 and $1,158 for the nine months ended September 30, 2026 and 2025, respectively.

Restricted Stock Units and Restricted Stock Awards

The 2017 Plan provides for the grant of restricted stock units ("RSUs"). RSUs are settled in shares of the Company's Common Stock as the RSUs vest. The following table summarizes RSU and restricted stock award activity for the nine months ended September 30, 2026:

| | RSUs and Restricted Stock Awards | Weighted Average Grant Date Fair Value | Weighted Average Vesting Period (Years) |
|---|---|---|---|
| Unvested at December 31, 2025 | 1,014,563 | $ 2.23 | 3.62 |
| Granted | 3,779,267 | 1.61 | - |
| Vested | (189,292) | 1.96 | - |
| Forfeited and cancelled | - | - | - |
| Unvested at September 30, 2026 | 4,604,538 | $ 1.73 | 8.62 |

The Company used the Monte Carlo Simulation Model to value at the grant date the aggregate of 632,911 market condition performance restricted stock awards granted in January 2024 to the Company's Chief Executive Officer. The assumptions used in the Monte Carlo Simulation were stock price on the date of grant equal to $3.40, a contract term of 10 years, expected volatility of 78% and risk-free interest rate of 4.10%. Vesting is based on sustained market capitalization of $1 billion, and the derived service period is 4.3 years.

On September 2, 2026, the Company granted performance-based restricted stock awards covering an aggregate of 6,000,000 shares of Common Stock to its Chief Executive Officer (4,000,000 shares) and its President and Chief Operating Officer (2,000,000 shares). The awards vest in four equal tranches upon the Company's achievement of sustained market capitalization hurdles of $150.0 million, $225.0 million, $337.5 million and $506.25 million, in each case measured over any 45 consecutive trading day period following the grant date and subject to continued service. Because vesting is based on the achievement of market capitalization targets, the awards contain a market condition, and the Company used the Monte Carlo Simulation Model to estimate the grant date fair value and the derived service period of each tranche. The assumptions used in the Monte Carlo Simulation were a stock price on the grant date of $1.69, a simulation term of 10 years, expected volatility of 87.58%, a risk-free interest rate of 4.73% and a dividend yield of 0%. The resulting grant date fair values were $1.65, $1.62, $1.58 and $1.53 per share for the $150.0 million, $225.0 million, $337.5 million and $506.25 million tranches, respectively, with corresponding derived service periods of 1.01, 1.77, 2.53 and 3.27 years. Compensation expense for the awards is recognized over the derived service period of each tranche and is not reversed if the market condition is not achieved, provided the requisite service is rendered.

Of the 6,000,000 shares subject to these awards, 2,400,000 shares (1,600,000 for the Chief Executive Officer and 800,000 for the President and Chief Operating Officer) are subject to stockholder approval of a proposal to increase the number of shares of Common Stock authorized for issuance under the 2017 Plan, and will be null and void if such approval is not obtained by March 15, 2027. A grant date has not been established for this contingent portion under ASC 718, and no compensation expense has been recognized with respect to these 2,400,000 shares as of September 30, 2026. The Company will measure the fair value of the contingent portion and begin recognizing the related compensation expense if and when the required stockholder approval is obtained.

During the three months ended September 30, 2026, the Company issued 4,554,340 shares of restricted Common Stock pursuant to performance-based restricted stock awards, consisting of 3,600,000 shares under the September 2, 2026 awards (excluding the 2,400,000 contingent shares described above) and 954,340 shares under the market-condition awards granted to the Chief Executive Officer in October 2023 and January 2024. These shares are issued and outstanding but remain subject to forfeiture until the applicable vesting conditions are achieved and, accordingly, are excluded from the weighted average number of shares outstanding used in computing EPS (see Note 1). The remaining 2,400,000 shares under the September 2, 2026 awards will be issued if and when the required stockholder approval is obtained.

Expense for RSUs and restricted stock awards was $415 and $343 for the three months ended September 30, 2026 and 2025, respectively, and $940 and $1,915 for the nine months ended September 30, 2026 and 2025, respectively.

Share-Based Compensation Expense

The Company recorded share-based compensation for options, RSUs and restricted stock awards in its statements of operations for the relevant periods as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| Selling, general and administrative | $ 1,379 | $ 632 | $ 4,782 | $ 3,004 |
| Research and development | - | 6 | - | 69 |
| Total share-based expense | $ 1,379 | $ 638 | $ 4,782 | $ 3,073 |

As of September 30, 2026, total estimated compensation cost of stock options granted and outstanding but not yet vested was $6,773 which is expected to be recognized over the weighted average period of 2.48 years.

As of September 30, 2026, total estimated compensation cost of RSUs and restricted stock awards granted and outstanding but not yet vested was $6,175, which is expected to be recognized over the weighted average period of 2.00 years.

**12. DEFINED CONTRIBUTION PLAN**

The Company has a defined contribution savings plan for all eligible U.S. employees established under the provisions of Section 401(k) of the Internal Revenue Code. This plan was formed on January 1, 2022. Eligible employees may contribute a percentage of their salary subject to certain limitations. The Company's matching contributions were $38 and $23 for the nine months ended September 30, 2026 and 2025, respectively.

## 13. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

As of September 30, 2026, the Company was committed for approximately $398 for future component deliveries that are generally subject to modification or rescheduling in the normal course of business.

Indemnifications and Guarantees

Our officers and directors are indemnified as to personal liability as provided by Delaware law and the Company's certificate of incorporation and bylaws. The Company may also undertake indemnification obligations in the ordinary course of business related to its operations. The Company is unable to estimate with any reasonable accuracy the liability that may be incurred pursuant to any such indemnification obligations now or in the future. Because of the uncertainty surrounding these circumstances, the Company's current or future indemnification obligations could range from immaterial to having a material adverse impact on its financial position and its ability to continue in the ordinary course of business. The Company has no liabilities recorded for such indemnities.

Litigation

The Company is subject to litigation and other claims in the ordinary course of business. The Company records a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed and adjusted to include the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel, and other information and events pertaining to a particular matter. As of September 30, 2026, the Company had no provision for liability under existing litigation.

## 14. RELATED PARTY TRANSACTIONS

*Series A Preferred Stock*

Scot Cohen, the Company's Executive Chairman and Chief Executive Officer, holds directly and through V4 Global LLC ("V4"), an entity he controls, shares of Series A Preferred Stock and related warrants. For the nine months ended September 30, 2026, Mr. Cohen earned dividends totaling $211 on his Series A Preferred Stock.

*Series B Preferred Stock*

In the private placement of Series B Preferred Stock completed August 18, 2025, V4 purchased 1,000 shares of Series B Preferred Stock and 666,667 Series B Warrants for gross proceeds of $1,000.

*PIPE Warrants*

In the February 2025 private placement, V4 purchased 1,100,000 shares of Common Stock and 1,100,000 PIPE Warrants for gross proceeds of $1,980; Continuum Ventures, LLC (controlled by Jared Novick, President and Chief Operating Officer) purchased 275,000 shares of Common Stock and 275,000 PIPE Warrants for gross proceeds of $495; and Savbo Investments LLC (controlled by Marc Savas, a Board member) purchased 50,000 shares of Common Stock and 50,000 PIPE Warrants for gross proceeds of $90. In the February 2026 Private Placement, V4 purchased 475,000 shares of Common Stock and 475,000 February 2026 Common Warrants for gross proceeds of $950; Savbo Investments LLC purchased 25,000 shares of Common Stock and 25,000 February 2026 Common Warrants for gross proceeds of $50; and Juggernaut Management, LLC (controlled by John Shulman, a Board member) purchased 250,000 shares of Common Stock and 250,000 February 2026 Common Warrants for gross proceeds of $500.

*Operations and Governance Risk Services*

In January 2026, the Company entered into a services agreement with Rajiv Srinivasan LLC, an entity controlled by Rajiv Srinivasan, a member of the Board, under which Mr. Srinivasan serves as a Board-appointed Operations and Governance Risk Auditor. The engagement was approved and overseen by the Audit Committee and provides for a fee of $10 per month over a term of up to six months. During the nine months ended September 30, 2026, the Company incurred $50 of fees under the agreement. In connection with the engagement, on January 29, 2026, the Company also granted Mr. Srinivasan a fully vested non-statutory stock option to purchase 50,000 shares of Common Stock at an exercise price of $2.48 per share under the 2017 Plan.

*Strategic Investment in Frenel Imaging Ltd.*

In July 2026, the Company made a strategic investment in Frenel Imaging Ltd. ("Frenel"). Scot Cohen, the Company's Executive Chairman and Chief Executive Officer, participated as an investor in the same Frenel financing, investing $100 and receiving 3,746 Series A Preferred Shares of Frenel on the same terms as the other investors in the financing. In addition, Mr. Cohen had previously invested $75 in a simple agreement for future equity of Frenel, which converted into 3,512 Series A Preferred Shares of Frenel in connection with the financing. Following these transactions, Mr. Cohen held an aggregate of 7,258 Series A Preferred Shares of Frenel.

*License Agreement*

The Company is party to a royalty license with Syzygy Licensing, LLC ("Syzygy"), a company owned by Elwood G. Norris and James A. Barnes, a stockholder. Elwood G. Norris was a 5% or greater stockholder of the Company until July 9, 2026, upon which date he sold all of his shares of Common Stock and ceased being a stockholder of the Company.

No payments were made during the three and nine months ended September 30, 2026.

## 15. SEGMENT INFORMATION

The Company operates as a single operating and reportable segment in accordance with ASC 280, Segment Reporting. The Company's Chief Operating Decision Maker ("CODM") is Scot Cohen, the Company's Executive Chairman and Chief Executive Officer. The CODM reviews financial information on a consolidated basis for purposes of evaluating financial performance and allocating resources, with the primary measure of segment performance being consolidated loss from operations. Resource allocation decisions are based on consolidated operating results, cash flows, liquidity, and overall strategic priorities rather than discrete financial information at a product line, geography, or functional level.

While the Company monitors certain operating metrics, including revenue by product line, such information is used for operational oversight and forecasting and is not used by the CODM to assess segment performance or allocate resources among components of the business. Accordingly, the Company has determined that it operates as one operating and one reportable segment.

The following table presents the significant expense categories and amounts for the three and nine months ended September 30, 2026 and 2025.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| Total revenues | $ 1,511 | $ 1,491 | $ 4,674 | $ 3,268 |
| Less: Significant segment expenses: | | | | |
| Cost of revenues | 681 | 608 | 1,608 | 1,303 |
| Research and development (1) | 169 | 167 | 426 | 619 |
| Salaries and burden | 796 | 1,178 | 2,615 | 3,383 |
| Share-based compensation | 1,379 | 638 | 4,782 | 3,073 |
| Consulting and professional fees | 1,037 | 893 | 3,024 | 2,155 |
| Depreciation and amortization | 47 | 151 | 158 | 455 |
| Other selling, general and administrative expenses (2) | 1,331 | 617 | 3,010 | 1,821 |
| Total significant segment expenses | 5,440 | 4,252 | 15,623 | 12,809 |
| Other segment items (3) | - | - | - | - |
| Segment loss from operations | $ (3,929) | $ (2,761) | $ (10,949) | $ (9,541) |

(1) For the three and nine months ended September 30, 2025, research and development includes share-based compensation of $6 and $69, respectively, which is also presented within share-based compensation. Other selling, general and administrative expenses is presented net of these amounts so that total significant segment expenses agree to the condensed consolidated statements of operations. No share-based compensation was included in research and development for the three and nine months ended September 30, 2026.

(2) Other selling, general and administrative expenses represents the aggregate of CODM-reviewed expense categories not considered individually significant, consisting of travel and entertainment, advertising and promotion, training, occupancy and office, public company costs, and other general and administrative costs. For the three and nine months ended September 30, 2026, other selling, general and administrative expenses also include a non-cash impairment of intangible assets of $151. For the three and nine months ended September 30, 2025, other selling, general and administrative expenses include a non-cash impairment of customer relationships of $54 (see Note 6).

(3) Other segment items consist of items not regularly reviewed by the Company's CODM as part of the significant expense categories above and not individually significant. No such items were identified for the periods presented; other segment items reconcile to zero.

The measure of segment profit or loss reviewed by the CODM is consolidated loss from operations, which is the same measure presented in the Company's condensed consolidated statements of operations. The CODM does not review segment assets, as such information is not used in allocating resources or assessing performance. Refer to Note 16, Major Customers and Related Information, for entity-wide disclosures regarding revenue by geography and customer concentration.

## 16. MAJOR CUSTOMERS AND RELATED INFORMATION

For the three months ended September 30, 2026, revenue from two distributors accounted for approximately 51% and 26% of revenue, respectively, with no other single customer accounting for more than 10% of total revenue. For the three months ended September 30, 2025, revenue from one customer accounted for approximately 93% of revenue, with no other single customer accounting for more than 10% of total revenue.

For the nine months ended September 30, 2026, revenue from two distributors accounted for approximately 42% and 17% of revenue, respectively, with no other single customer accounting for more than 10% of total revenue. For the nine months ended September 30, 2025, revenue from three distributors accounted for approximately 42%, 11% and 10% of revenue, respectively, with no other single customer accounting for more than 10% of total revenue.

At September 30, 2026, accounts receivable from three distributors accounted for 53%, 20%, and 10% of net accounts receivable, respectively, with no other single customer accounting for more than 10% of the accounts receivable balance. At December 31, 2025, accounts receivable from two distributors accounted for 71% and 10%, respectively of net accounts receivable and contract assets, with no other single customer accounting for more than 10% of the accounts receivable and contract assets balance.

The following table summarizes revenue by geographic region. Revenue is attributed to countries based on customer's delivery location:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| Americas | $ 1,068 | $ (70) | $ 2,221 | $ 1,522 |
| Europe, Middle East and Africa | 52 | 1,540 | 2,052 | 1,725 |
| Asia Pacific | 391 | 21 | 401 | 21 |
| Total revenues | $ 1,511 | $ 1,491 | $ 4,674 | $ 3,268 |

## 17. SUBSEQUENT EVENTS

*Appointment of Director*

On October 20, 2026, the Board increased the size of the Board from six directors to seven directors and appointed Edward Delatorre to the Board, effective immediately, to serve as a director until the Company's 2026 annual meeting of stockholders or until his successor is duly elected and qualified, or until his earlier death, resignation, or removal. In connection with his appointment, the Company granted Mr. Delatorre options ("Delatorre Options") to purchase 30,000 shares of Company common stock, par value $0.0001 per share, with an exercise price of $1.45 per share. The Delatorre Options have a ten-year term, and vest as follows: (i) 50% on October 20, 2027 and (ii) the remaining 50% in four equal quarterly installments over the next year, subject to the terms and conditions of the applicable non-employee non-statutory stock option agreement.

*Appointment of Chief Operating Officer*

On November 9, 2026, the Board of Directors appointed Eric Bowen as Chief Operating Officer of the Company, effective November 16, 2026. In connection with his appointment, the Board approved an annual base salary of $200,000, quarterly bonuses of $25,000 for each of the first four consecutive fiscal quarters of his employment beginning with the fourth fiscal quarter of 2026, and a grant of a non-qualified stock option to purchase 250,000 shares of common stock vesting in three substantially equal annual installments.

*Officer Title Changes*

Effective November 16, 2026, Jared Novick ceased to serve as Chief Operating Officer and continues to serve as President of the Company, and Scot Cohen ceased to serve as the Company's principal financial officer and principal accounting officer, with Mr. Novick designated as the Company's principal financial officer and principal accounting officer. Mr. Cohen continues to serve as Executive Chairman and Chief Executive Officer. In connection with these changes, on November 16, 2026, the Company and Mr. Novick entered into a First Amendment to Amended and Restated Employment Agreement, which changed Mr. Novick's title to President and did not change his compensation.

The Company has evaluated subsequent events through November 12, 2026, the date on which this Quarterly Report on Form 10-Q was filed with the SEC. Based on this evaluation, the Company determined there are no subsequent events requiring recognition or disclosure in accordance with ASC 855.

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

*You should read the following discussion in conjunction with the financial statements and other financial information included elsewhere in this Quarterly Report on Form 10-Q (this "Report") and with our audited financial statements and other information presented in our Annual Report on Form 10-K for the year ended December 31, 2025 (the "Annual Report"). This discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve risks and uncertainties. Actual results and the timing of certain events could differ materially from those expressed or implied by these forward-looking statements as a result of various factors, including those described under "Cautionary Note Regarding Forward-Looking Statements" at the beginning of this Report, Part II, Item 1A, "Risk Factors" of this Report and Part I, Item 1A, "Risk Factors" of the Annual Report.*

*References in this management's discussion and analysis to "we," "us," "our," "the Company," "our Company," or "Wrap" refer to Wrap Technologies, Inc. and its subsidiaries.*

**Overview**

We are a global public safety technology company that delivers non-lethal public safety solutions to law enforcement and security personnel worldwide. Management is pursuing a strategy to expand the Company from a provider of individual non-lethal products toward a provider of an integrated public safety platform that the Company refers to as WrapShield™. WrapShield is designed to connect threat detection, AI-assisted decision support, and proportionate response, with human decision-makers remaining in control. The initial focus for the platform is counter-unmanned aircraft system ("counter-UAS") applications, and management intends to extend the architecture over time to additional public safety, critical infrastructure, and defense applications. The Company's current commercial foundation remains the BolaWrap® 150 remote restraint device and its related products and services, and is a critical piece of the platform strategy.

Our product and service portfolio includes the BolaWrap® device, cassettes and related accessories. We also offer technology-enabled services including Wrap Reality virtual reality ("VR") training simulator, WrapTactics digital training platform, and WrapVision™ body-worn camera and digital evidence management solution, managed services and policy support.

Our core offerings are designed to provide officers and agencies with integrated non-lethal tools, training, and tactics that support safer outcomes and sustained readiness across the public safety ecosystem. BolaWrap gives officers a proactive, non-lethal tactical option through a tether deployment system sold with recurring consumable cassettes. In July 2026, the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives (the "ATF") issued a ruling classifying the BolaWrap® 150 as an instrument of restraint rather than a firearm or an "any other weapon." Our non-lethal response offerings are designed to function as a family of instruments of restraint. In addition to the handheld BolaWrap® 150, the Company completed a first operational prototype of Wraptor MX™, a multi-shot restraint platform intended for tactical, corrections, and security environments, and is developing the DFR-X™ drone-deployed restraint system. Wraptor MX and DFR-X are in development and are not yet commercially available.

Wrap Reality and WrapTactics are designed to deliver immersive VR and subscription-based digital training focused on decision-making under stress, use of force judgment, and non-lethal response tactics. WrapVision provides a body-worn camera and cloud-based digital evidence management platform designed to meet federal procurement and data-sovereignty requirements.

We are also expanding our tether deployment technology into counter-UAS and defense applications through our MERLIN program, which management expects to advance within the WrapShield platform, and which targets non-lethal drone interdiction capabilities for defense, homeland security, and critical-infrastructure protection missions.

To establish an advanced-sensing detection capability for the platform, in July 2026 the Company made a strategic investment in Frenel Imaging Ltd. ("Frenel") and obtained an exclusive license to its thermal-polarimetric imaging technology for the United States and NATO markets, as further described below under Recent Developments.

**Recent Developments**

The following developments occurred during the three months ended September 30, 2026. Except as otherwise noted, they did not have a material effect on the Company's results of operations for the periods presented, and their effect on future results is uncertain.

*ATF Ruling 2026-2*

In July 2026, ATF Ruling 2026-2 became effective, classifying the BolaWrap® 150 as an instrument of restraint and determining that it is neither a "firearm" under the Gun Control Act nor an "any other weapon" under the National Firearms Act. The ruling supersedes prior ATF classifications of the BolaWrap 150. Management believes the ruling may reduce federal regulatory ambiguity that has historically complicated BolaWrap procurement in certain corrections, civilian-safety, and international channels, and may support broader adoption. The ruling addresses the BolaWrap 150 only and does not extend to the Company's other products.

*Strategic Investment in Frenel Imaging Ltd.*

In July 2026, the Company made a strategic investment in Frenel, an advanced-sensing company, and obtained an exclusive license to commercialize Frenel's TPiCore® thermal-polarimetric imaging technology in the United States and NATO markets. The Company intends to use this technology as the detection layer of the WrapShield platform. The Company's $2.0 million investment in Frenel is reflected in the condensed consolidated balance sheet as of September 30, 2026. The investment and license are in an early stage, and the timing and amount of any resulting revenue are uncertain.

*WrapShield Platform*

In July 2026, the Company introduced WrapShield™, a platform strategy intended to integrate threat detection, AI-assisted decision support, command-and-control, and proportionate response into a single operating architecture, with an initial application in counter-UAS. WrapShield is in an early stage of development, and its commercialization, integration, and market adoption are subject to significant uncertainty.

*Wraptor MX and Early Adopter Program*

In July 2026, the Company completed a first operational prototype of Wraptor MX™, a multi-shot non-lethal restraint platform, and opened an early adopter program to select a limited number of law enforcement agencies for pre-commercial access. Wraptor MX is a prototype and is not commercially available. Participation in the early adopter program may not result in orders or revenue.

*August 2026 Registered Direct Offering*

On August 18, 2026, the Company closed a registered direct offering (the "August 2026 Registered Direct Offering") of 5,771,519 shares of the Company's common stock, par value $0.0001 per share ("Common Stock"), and pre-funded warrants (the "August 2026 Pre-Funded Warrants") to purchase up to 2,800,090 shares of Common Stock, for gross proceeds of approximately $12.0 million and net proceeds of approximately $10.9 million after deducting placement agent fees and other offering expenses. The offering price of $1.40 per share triggered price-based anti-dilution adjustments that reduced to $1.40 per share (i) the conversion price of the Company's Series A Convertible Preferred Stock, par value $0.0001 per share (the "Series A Preferred Stock"), and (ii) the exercise prices of the warrants issued in connection with the July 2023 offering of the Series A Preferred Stock (the "Series A Warrants"), the warrants issued in the Company's February 2025 private placement (the "PIPE Warrants"), the warrants issued in connection with the August 2025 private placement of the Company's Series B Convertible Preferred Stock, par value $0.0001 per share (the "Series B Preferred Stock") (the "Series B Warrants"), and the common warrants (the "February 2026 Common Warrants") issued in the Company's private placement that closed on February 3, 2026 (the "February 2026 Private Placement"), resulting in a non-cash deemed dividend of $1.4 million. See Notes 8 and 10 to the condensed consolidated financial statements.

**Business Outlook**

We believe demand for integrated non-lethal solutions will continue to be influenced by public expectations for proportional and accountable use of force, evolving legal and policy standards, and increased emphasis on officer safety, community trust, and sustained operational readiness. Modern policing operates under continuous public and legal scrutiny, creating a need for tools, training, and tactics that give officers defensible, proportional options in dynamic encounters. Our business outlook is shaped by our ability to increase adoption of our core products, deepen customer relationships through programmatic training and service delivery, expand recurring revenue, and selectively enter adjacent markets while managing costs and capital resources.

In 2026, our near-term focus is on expanding agency-wide deployments of BolaWrap, increasing utilization of our training and subscription-based offerings, including Wrap Reality and WrapTactics, and advancing commercialization efforts for WrapVision. Management believes the recent ATF ruling classifying the BolaWrap 150 as an instrument of restraint may support adoption in certain corrections, civilian-safety, and international channels, although the effect on future results is uncertain. Management also intends to advance the WrapShield platform strategy, including the integration of Frenel's thermal-polarimetric sensing technology and the continued development of the Wraptor MX and DFR-X non-lethal response systems. These initiatives are in early stages, and the timing and scale of any resulting revenue are uncertain and depend on product development, testing, funding, and government procurement decisions. We also expect to continue evaluating development and demonstration opportunities related to our counter-UAS initiatives, although the timing and scale of any resulting revenues remain uncertain and dependent on government testing, funding, and procurement decisions.

Our results will continue to be influenced by government budget cycles, procurement processes, and the availability of grant funding at the federal, state, and local levels. We also expect international sales to remain uneven due to centralized procurement processes and the timing of large orders. While we have implemented cost containment initiatives and continue to evaluate our operating structure, we expect to continue incurring operating losses until we achieve sufficient scale, margin improvement, and recurring revenue to offset our fixed costs.

**Business Trends**

Our ability to execute our strategy and improve our financial performance is subject to a number of risks and challenges, many of which are outside of our control. A significant portion of our revenues is derived from government customers, which exposes us to extended sales cycles, budget constraints, procurement delays, and changes in public policy or funding priorities. These factors can result in variability in the timing and amount of revenue recognized and may make it difficult to predict future operating results.

We are subject to extensive regulation, including firearms classification, export controls, procurement requirements, and data privacy and cybersecurity regulations. In July 2026, the ATF classified the BolaWrap 150 as an instrument of restraint rather than a firearm, which management believes may reduce certain regulatory friction for that product. This classification applies to the BolaWrap 150 only and does not extend to our other products, and our expansion into advanced sensing, counter-UAS, and defense applications may subject us to additional regulatory regimes, including export controls under the International Traffic in Arms Regulations and the Export Administration Regulations and applicable aviation regulations. Changes in regulatory interpretation or enforcement could adversely affect our ability to manufacture, sell, or distribute our products. Our platform strategy also depends in part on technologies developed by third parties, including Frenel, and on our ability to integrate, commercialize, and support new products.

*Effects of Inflation*

The Company has experienced increased costs related to labor and materials, which management attributes in part to inflationary pressures. These cost increases have been driven primarily by higher wage rates, competitive labor market conditions, and increased supplier pricing for certain materials and services. The Company has taken steps to mitigate the impact through cost containment initiatives, workforce reductions, supply chain management efforts, and selective pricing actions where appropriate. However, continued inflationary pressures could result in higher operating costs in future periods, and there can be no assurance that the Company will be able to fully offset such increases through operational efficiencies or pricing adjustments.

**Segment and Related Information**

The Company operates as a single segment. The Company's chief operating decision maker ("CODM") is Scot Cohen, the Company's Executive Chairman and Chief Executive Officer, who manages operations for purposes of allocating resources. See Note 15, Segment Information, to the condensed consolidated financial statements for the significant expense categories regularly reviewed by the CODM and the reconciliation to consolidated loss from operations.

**Subsequent Events**

*Appointment of Director*

On October 20, 2026, the Board increased the size of the Board from six directors to seven directors and appointed Edward Delatorre to the Board, effective immediately, to serve as a director until the Company’s 2026 annual meeting of stockholders or until his successor is duly elected and qualified, or until his earlier death, resignation, or removal. In connection with his appointment, the Company granted Mr. Delatorre options (“Delatorre Options”) to purchase 30,000 shares of Company common stock, par value $0.0001 per share, with an exercise price of $1.45 per share. The Delatorre Options have a ten-year term, and vest as follows: (i) 50% on October 20, 2027 and (ii) the remaining 50% in four equal quarterly installments over the next year, subject to the terms and conditions of the applicable non-employee non-statutory stock option agreement.

*Appointment of Chief Operating Officer*

On November 9, 2026, the Board of Directors appointed Eric Bowen as Chief Operating Officer of the Company, effective November 16, 2026. In connection with his appointment, the Board approved an annual base salary of $200,000, quarterly bonuses of $25,000 for each of the first four consecutive fiscal quarters of his employment beginning with the fourth fiscal quarter of 2026, and a grant of a non-qualified stock option to purchase 250,000 shares of common stock vesting in three substantially equal annual installments.

*Officer Title Changes*

Effective November 16, 2026, Jared Novick ceased to serve as Chief Operating Officer and continues to serve as President of the Company, and Scot Cohen ceased to serve as the Company’s principal financial officer and principal accounting officer, with Mr. Novick designated as the Company’s principal financial officer and principal accounting officer. Mr. Cohen continues to serve as Executive Chairman and Chief Executive Officer. In connection with these changes, on November 16, 2026, the Company and Mr. Novick entered into a First Amendment to Amended and Restated Employment Agreement, which changed Mr. Novick’s title to President and did not change his compensation.

**Results of Operations**

***Three Months Ended September 30, 2026, Compared to Three Months Ended September 30, 2025 (Unaudited)***

The following table sets forth for the periods indicated certain items of our condensed consolidated statement of operations. The financial information and the discussion below should be read in conjunction with the financial statements and notes contained in this Quarterly Report on Form 10-Q.

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2026 | 2025 | $ | % |
| Revenues: | | | | |
| Product sales | $ 1,286 | $ 1,072 | $ 214 | 20% |
| Technology enabled services | 225 | 419 | (194) | (46)% |
| Total revenues, net | 1,511 | 1,491 | 20 | 1% |
| | | | | |
| Cost of revenues | 681 | 608 | 73 | 12% |
| Gross profit | 830 | 883 | (53) | (6)% |

| | | | | |
|---|---|---|---|---|
| Operating expenses: | | | | |
| Selling, general and administrative | 4,590 | 3,477 | 1,113 | 32% |
| Research and development | 169 | 167 | 2 | 1% |
| Total operating expenses | 4,759 | 3,644 | 1,115 | 31% |
| Loss from operations | $ (3,929) | $ (2,761) | $ (1,168) | 42% |

Revenue

We reported net revenue of $1.5 million for the three months ended September 30, 2026, as compared to $1.5 million for the three months ended September 30, 2025, representing an increase of $20 thousand, or 1%. Higher product sales were largely offset by a decline in technology-enabled services revenue.

Product sales were $1.3 million for the three months ended September 30, 2026, compared to $1.1 million for the three months ended September 30, 2025, an increase of $0.2 million, or 20%. Product sales for the three months ended September 30, 2025 were reduced by sales returns and allowances of $0.5 million related to the return of product from a distributor in connection with a change in the Company's go-to-market strategy; no sales returns and allowances were recorded in the current-year quarter. Excluding the prior-year returns, product sales decreased $0.3 million, primarily reflecting the timing of international orders, as the prior-year quarter included significant shipments to customers in Europe, the Middle East and Africa. Cassettes and consumables continued to represent a growing component of product revenue, consistent with the expanding base of BolaWrap devices in active field use.

Technology-enabled services revenue was $0.2 million for the three months ended September 30, 2026, compared to $0.4 million for the three months ended September 30, 2025, a decrease of $0.2 million, or 46%. The decrease reflects the continued wind-down of the managed services and advisory arrangements associated with the W1 asset acquisition completed in February 2025, which contributed revenue in the prior-year quarter and are not necessarily representative of the ongoing business. The Company continues to focus its technology-enabled services revenue on its higher-margin subscription and software-based offerings, including WrapTactics and Wrap Reality, as well as WrapVision evidence management subscriptions. The timing of subscription renewals and new contract activations also contributed to the year-over-year decline in this revenue category for the three months ended September 30, 2026.

Prior period "Managed services" and "Other revenue" have been reclassified into "Technology enabled services," and prior period sales returns and allowances have been reclassified as a reduction of product sales, to conform to the current period presentation.

Gross Profit

Gross profit was $0.8 million for the three months ended September 30, 2026, compared to $0.9 million for the three months ended September 30, 2025, a decrease of $53 thousand, or 6%. Gross margin was 54.9% for the three months ended September 30, 2026, compared to 59.2% for the three months ended September 30, 2025. Cost of revenues increased $73 thousand, or 12%, to $0.7 million. The decrease in gross margin percentage primarily reflects a less favorable revenue mix, as higher-margin technology-enabled services represented 15% of total revenues for the three months ended September 30, 2026, compared to 28% for the three months ended September 30, 2025. We expect gross margins to continue to be influenced by the relative mix of product sales and technology-enabled services revenue in future periods.

Selling, General and Administrative Expense

Selling, general and administrative ("SG&A") expense was $4.6 million for the three months ended September 30, 2026, compared to $3.5 million for the three months ended September 30, 2025, an increase of $1.1 million, or 32%. The increase was driven primarily by higher non-cash share-based compensation expense, a $151 thousand non-cash impairment of patents and trademarks that were no longer of value or in use by the Company, and higher other selling, general and administrative expenses.

Share-based compensation allocated to SG&A was $1.4 million for the three months ended September 30, 2026, compared to $0.6 million for the three months ended September 30, 2025, reflecting equity incentive awards granted to new and existing employees and officers during 2026.

Cash-based SG&A costs, consisting of salaries and burden, consulting and professional fees, and other selling, general and administrative expenses (excluding non-cash impairment charges of $151 thousand in 2026 and $54 thousand in 2025), were $3.0 million for the three months ended September 30, 2026, compared to $2.6 million for the three months ended September 30, 2025. The increase of approximately $0.4 million, or 14%, was primarily due to a $0.6 million increase in other selling, general and administrative expenses, driven by higher trade show and advertising spend, partially offset by lower occupancy and travel costs, and a $144 thousand increase in consulting and professional fees. These increases were partially offset by a $0.4 million decrease in salaries and burden as the Company maintained ongoing cost discipline.

Research and Development Expense

Research and development ("R&D") expense was $169 thousand for the three months ended September 30, 2026, compared to $167 thousand for the three months ended September 30, 2025, an increase of $2 thousand, or 1%. R&D spending remained at a modest level as the Company's primary platforms, BolaWrap 150, WrapTactics, WrapVision, and Wrap Reality, remain in commercial deployment, with continued investment focused on incremental product enhancements, the WrapTactics content library, and counter-UAS development activities for the MERLIN program.

Operating Loss

Loss from operations was $3.9 million for the three months ended September 30, 2026, compared to $2.8 million for the three months ended September 30, 2025, an increase of $1.2 million, or 42%. The increased operating loss reflected higher SG&A expense, driven primarily by higher non-cash share-based compensation expense and the $151 thousand non-cash impairment of intangible assets, and lower gross profit.

Other Income (Expense), Net

Total other expense, net was $2 thousand for the three months ended September 30, 2026, compared to total other expense, net of $12 thousand for the three months ended September 30, 2025, a decrease in expense of $10 thousand.

*Gain on Lease Termination.* The $227 thousand non-cash gain on lease termination related to the early termination of the office lease at 3480 Main Highway, Suite 202, Miami, Florida (Coconut Grove) was recognized during the three months ended March 31, 2026 in connection with a Termination and Mutual Release Agreement entered into with the landlord on February 13, 2026. No gain or loss on lease termination was recognized during the three months ended September 30, 2026.

*Change in Fair Value of Warrant Liabilities.* On June 30, 2025, the Company amended the Series A Warrants and the PIPE Warrants, resulting in their reclassification from warrant liabilities to permanent equity under ASC 815-40. Following this reclassification, the Company no longer carries warrant liabilities on its balance sheet and does not record non-cash income or expense related to changes in warrant fair value. Accordingly, no such gain or loss was recognized during the three months ended September 30, 2026 or 2025, and no comparable item is expected in future periods.

*Interest Income.* Interest income was $1 thousand for the three months ended September 30, 2026, compared to $2 thousand for the three months ended September 30, 2025.

*Net Loss*. Net loss was $3.9 million for the three months ended September 30, 2026, compared to net loss of $2.8 million for the three months ended September 30, 2025. The increased net loss primarily reflects the increase in loss from operations described above.

Net loss attributable to common stockholders was $5.5 million, or $(0.09) per basic and diluted share, for the three months ended September 30, 2026, compared to a net loss attributable to common stockholders of $2.9 million, or $(0.06) per basic and diluted share, for the three months ended September 30, 2025. Net loss attributable to common stockholders for the three months ended September 30, 2026 includes preferred stock dividends of $0.2 million and a non-cash deemed dividend of $1.4 million related to the down-round adjustment described in Note 10. The weighted average common shares used in the calculation were approximately 60.1 million for the three months ended September 30, 2026, compared to 51.1 million for the three months ended September 30, 2025, reflecting shares issued in the February 2026 Private Placement and the August 2026 Registered Direct Offering including the weighted effect of the August 2026 Pre-Funded Warrants, and other equity issuances.

**Nine Months Ended September 30, 2026, Compared to Nine Months Ended September 30, 2025 (Unaudited)**

The following table sets forth for the periods indicated certain items of our condensed consolidated statement of operations. The financial information and the discussion below should be read in conjunction with the financial statements and notes contained in this Quarterly Report on Form 10-Q.

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2026 | 2025 | $ | % |
| Revenues: | | | | |
| Product sales | $ 3,916 | $ 1,430 | $ 2,486 | 174% |
| Technology enabled services | 758 | 1,838 | (1,080) | (59)% |
| Total revenues, net | 4,674 | 3,268 | 1,406 | 43% |
| | | | | |
| Cost of revenues | 1,608 | 1,303 | 305 | 23% |
| Gross profit | 3,066 | 1,965 | 1,101 | 56% |
| | | | | |
| Operating expenses: | | | | |
| Selling, general and administrative | 13,589 | 10,887 | 2,702 | 25% |
| Research and development | 426 | 619 | (193) | (31)% |
| Total operating expenses | 14,015 | 11,506 | 2,509 | 22% |
| Loss from operations | $ (10,949) | $ (9,541) | $ (1,408) | 15% |

Revenue

We reported net revenue of $4.7 million for the nine months ended September 30, 2026, as compared to $3.3 million for the nine months ended September 30, 2025, representing an increase of $1.4 million, or 43%. The increase reflects higher product sales, partially offset by a decline in technology-enabled services revenue.

Product sales were $3.9 million for the nine months ended September 30, 2026, compared to $1.4 million for the nine months ended September 30, 2025, an increase of $2.5 million, or 174%. Product sales for the nine months ended September 30, 2025 were reduced by sales returns and allowances of $0.5 million related to the return of product from a distributor in connection with a change in the Company's go-to-market strategy; no sales returns and allowances were recorded in the current-year period. The increase reflects higher shipments of BolaWrap 150 devices and cassettes to both domestic and international customers as order flow continued to improve following the transition to a more direct, agency-focused go-to-market approach. Cassettes and consumables represented a growing component of product revenue, consistent with the expanding base of BolaWrap devices in active field use.

Technology-enabled services revenue was $0.8 million for the nine months ended September 30, 2026, compared to $1.8 million for the nine months ended September 30, 2025, a decrease of $1.1 million, or 59%. The decrease reflects the strategic restructuring of our managed services offerings following the Company's decision to wind down certain advisory and investigative service arrangements associated with the W1 asset acquisition in February 2025, which are not necessarily representative of the ongoing business. This decline was partially offset by growth in WrapVision body-worn camera and related software revenue. The Company is focusing its technology-enabled services revenue on its higher-margin subscription and software-based offerings, including WrapTactics and Wrap Reality, as well as WrapVision evidence management subscriptions. The timing of subscription renewals and new contract activations contributed to the year-over-year decline in this revenue category for the nine months ended September 30, 2026.

Prior period "Managed services" and "Other revenue" have been reclassified into "Technology enabled services," and prior period sales returns and allowances have been reclassified as a reduction of product sales, to conform to the current period presentation.

Gross Profit

Gross profit was $3.1 million for the nine months ended September 30, 2026, compared to $2.0 million for the nine months ended September 30, 2025, an increase of $1.1 million, or 56%. Gross margin was 65.6% for the nine months ended September 30, 2026, compared to 60.1% for the nine months ended September 30, 2025. The improvement in gross margin percentage reflects the significantly higher volume of product sales, which absorbed fixed manufacturing overhead more efficiently, and the absence of sales returns and allowances in the current-year period, partially offset by a shift in revenue mix away from higher-margin technology-enabled services. Cost of revenues increased $305 thousand, or 23%, to $1.6 million, consistent with the higher product volume. We expect gross margins to continue to be influenced by the relative mix of product sales and technology-enabled services revenue in future periods.

Selling, General and Administrative Expense

SG&A expense was $13.6 million for the nine months ended September 30, 2026, compared to $10.9 million for the nine months ended September 30, 2025, an increase of $2.7 million, or 25%. The increase was driven primarily by higher non-cash share-based compensation expense, higher other selling, general and administrative expenses and consulting and professional fees, and a $151 thousand non-cash impairment of patents and trademarks recorded in the third quarter of 2026.

Share-based compensation allocated to SG&A was $4.8 million for the nine months ended September 30, 2026, compared to $3.0 million for the nine months ended September 30, 2025, reflecting equity incentive awards granted to new and existing employees and officers during 2025 and 2026.

Cash-based SG&A costs, consisting of salaries and burden, consulting and professional fees, and other selling, general and administrative expenses (excluding non-cash impairment charges of $151 thousand in 2026 and $54 thousand in 2025), were $8.5 million for the nine months ended September 30, 2026, compared to $7.3 million for the nine months ended September 30, 2025. The increase of approximately $1.2 million, or 16%, was primarily due to a $1.1 million increase in other selling, general and administrative expenses and a $0.9 million increase in consulting and professional fees. These increases were partially offset by a $0.8 million decrease in salaries and burden as the Company maintained ongoing cost discipline.

Research and Development Expense

Research and development expense was $426 thousand for the nine months ended September 30, 2026, compared to $619 thousand for the nine months ended September 30, 2025, a decrease of $193 thousand, or 31%. The decrease reflects the Company's shift to a more variable-cost development model and reduced headcount dedicated to R&D activities, as the primary platforms, BolaWrap 150, WrapTactics, WrapVision, and Wrap Reality, have advanced beyond the primary development phase and are now in commercial deployment. R&D investment is expected to continue at a more modest level in 2026, focused on incremental product enhancements, the WrapTactics content library, and counter-UAS development activities for the MERLIN program.

Operating Loss

Loss from operations was $10.9 million for the nine months ended September 30, 2026, compared to $9.5 million for the nine months ended September 30, 2025, an increase of $1.4 million, or 15%. The increased operating loss reflected higher operating expenses, driven primarily by an increase in non-cash share-based compensation expense, partially offset by increased gross profit.

Other Income (Expense), Net

Total other income, net was $221 thousand for the nine months ended September 30, 2026, compared to $3.2 million for the nine months ended September 30, 2025, a decrease of $2.9 million. The year-over-year change is primarily attributable to the non-recurrence of the net non-cash gain from the change in fair value of warrant liabilities that was recorded during the nine months ended September 30, 2025, partially offset by a non-cash gain on lease termination recognized during the nine months ended September 30, 2026.

*Gain on Lease Termination.* During the nine months ended September 30, 2026, the Company recognized a $227 thousand gain on lease termination in connection with the early termination of the office lease at 3480 Main Highway, Suite 202, Miami, Florida (Coconut Grove). On February 13, 2026, the Company entered into a Termination and Mutual Release Agreement with the landlord, terminating the lease effective as of that date. Under ASC 842, upon termination the Company derecognized the carrying value of the operating lease right-of-use asset and the corresponding lease liability, resulting in the $227 thousand non-cash gain representing the excess of the liability extinguished over the right-of-use asset derecognized as of the termination date. The gain is non-cash and non-recurring in nature.

*Change in Fair Value of Warrant Liabilities.* During the nine months ended September 30, 2025, the Company recognized a net non-cash gain of $3.2 million attributable to changes in the fair value of outstanding warrant liabilities, consisting of a $4.0 million gain recognized during the three months ended March 31, 2025, partially offset by an $871 thousand loss recognized during the three months ended June 30, 2025, prior to the warrants' reclassification to permanent equity. On June 30, 2025, the Company amended the Series A Warrants and the PIPE Warrants, resulting in their reclassification from warrant liabilities to permanent equity under ASC 815-40. Following this reclassification, the Company no longer carries warrant liabilities on its balance sheet and does not record non-cash income or expense related to changes in warrant fair value. Accordingly, no such gain or loss was recognized during the nine months ended September 30, 2026, and no comparable item is expected in future periods.

*Interest Income.* Interest income was $4 thousand for the nine months ended September 30, 2026, compared to $6 thousand for the nine months ended September 30, 2025.

*Net Loss*. Net loss was $10.7 million for the nine months ended September 30, 2026, compared to net loss of $6.4 million for the nine months ended September 30, 2025. The increase in net loss primarily reflects the non-recurrence of the $3.2 million non-cash net gain from the change in fair value of warrant liabilities recorded in the prior-year period and the $1.4 million increase in loss from operations, partially offset by the $227 thousand non-cash gain on lease termination recognized in the current-year period.

Net loss attributable to common stockholders was $12.7 million, or $(0.22) per basic and diluted share, for the nine months ended September 30, 2026, compared to a net loss attributable to common stockholders of $6.9 million, or $(0.14) per basic and diluted share, for the nine months ended September 30, 2025. Net loss attributable to common stockholders for the nine months ended September 30, 2026 includes preferred stock dividends of $0.6 million and a non-cash deemed dividend of $1.4 million related to the down-round adjustment described in Note 10. The weighted average common shares used in the calculation were approximately 56.6 million for the nine months ended September 30, 2026, compared to 50.0 million for the nine months ended September 30, 2025, reflecting shares issued in the February 2025 private placement, the February 2026 Private Placement, the August 2026 Registered Direct Offering, including the weighted effect of the August 2026 Pre-Funded Warrants, and other equity issuances.

**Liquidity and Capital Resources**

*Overview*

Our primary source of liquidity has been funding from stockholders through the sale of equity securities and the exercise of derivative securities. We expect our primary sources of future liquidity to be product and technology-enabled services revenue, proceeds from the exercise of outstanding stock options and warrants, and future equity or debt financings as needed.

As of September 30, 2026, we had cash and cash equivalents of $12.1 million and working capital of $18.1 million (total current assets of $20.1 million less total current liabilities of $2.0 million). This compares to cash and cash equivalents of $3.5 million and working capital of $9.6 million as of December 31, 2025. The $8.6 million increase in cash during the nine months ended September 30, 2026 was driven primarily by $10.9 million in net proceeds from the August 2026 Registered Direct Offering, $5.0 million in proceeds from the February 2026 Private Placement and $100 thousand from warrant exercises, partially offset by $5.3 million of cash used in operations and $2.2 million used in investing activities, including the $2.0 million purchase of an equity investment in Frenel.

Total liabilities decreased to $2.3 million as of September 30, 2026, from $3.9 million as of December 31, 2025. This decline was principally driven by the derecognition of the operating lease liability upon termination of the Coconut Grove, Florida lease (3480 Main Highway, Suite 202, Miami, Florida), partially offset by increases in accounts payable, accrued liabilities and customer deposits associated with the Company’s normal business operations. Total stockholders’ equity increased to $21.8 million from $11.5 million, reflecting $16.0 million in net equity proceeds from the August 2026 Registered Direct Offering, the February 2026 Private Placement and warrant exercises and $4.8 million of non-cash share-based compensation expense, offset by the net loss for the period.

We believe we have sufficient capital to fund our operations for at least the next twelve months from the date of this Report based on our current operating plan, existing cash balances, and expected revenues. In the short term, we expect to use our cash and cash equivalents to fund ongoing operating needs, including personnel and talent recruitment, manufacturing of our products, supply chain purchases, sales and marketing activities, and general working capital. Over the longer term, we expect to continue funding these activities as well as making investments to support the continued growth of our business as opportunities arise. However, we have generated significant losses since inception and expect to continue to incur net losses as we invest in our business. Liquidity constraints and limited access to capital markets could negatively affect our ability to fund operations and may require changes to our operating or investment strategy. If additional capital is required, we may seek to raise funds through public or private equity offerings, debt financings, or strategic transactions; however, there can be no assurance that such financing would be available on acceptable terms or at all.

*Capital Requirements*

Our future liquidity requirements or future capital needs will depend on, among other things, capital required to introduce new products and the operational staffing and support requirements, as well as the timing and amount of future revenue and product costs. We anticipate that demands for operating and working capital may grow depending on decisions on staffing, development, production, marketing, training and other functions and based on other factors outside of our control, including the timing of receipt of revenue.

Our future capital requirements, cash flows and results of operations could be affected by, and will depend on, many factors, some of which are currently unknown to us, including, among other things:

- Decisions regarding staffing, development, production, marketing and other functions;
- The timing and extent of market acceptance of our products;
- Costs, timing and outcome of planned production and required customer and regulatory compliance of our products;
- Costs of preparing, filing and prosecuting our patent applications and defending any future intellectual property-related claims;
- Costs and timing of additional product development;
- Costs, timing and outcome of any future warranty claims or litigation against us associated with any of our products;
- Ability to collect accounts receivable; and
- Timing and costs associated with any new financing.

Principal factors that could affect our ability to obtain cash from external sources including from exercise of outstanding warrants and options include:

- Volatility in the capital markets; and
- Market price and trading volume of our Common Stock.

***Series A Offering***

On June 29, 2023, the Company entered into a Securities Purchase Agreement ("Series A Purchase Agreement") with certain accredited investors, including Scot Cohen, the Company's Executive Chairman and Chief Executive Officer (collectively, the "Series A Investors"), pursuant to which we agreed to sell to the Series A Investors in a registered direct offering (the "Series A Offering") (i) an aggregate of 10,000 shares of Series A Preferred Stock, initially convertible into up to 6,896,553 shares of the Company's Common Stock, at an initial conversion price of $1.45 per share, and (ii) the Series A Warrants to acquire up to an aggregate of 6,896,553 shares of Common Stock (the "Series A Warrant Shares"). The closing of the Series A Offering occurred on July 3, 2023. The aggregate gross proceeds from the Series A Offering were approximately $10 million.

*Series A Preferred Stock*

On July 3, 2023, the Company filed the Certificate of Designations of the Series A Preferred Stock (the "Series A Certificate of Designations") with the Secretary of State of the State of Delaware. The Series A Preferred Stock is convertible into shares of Common Stock (the "Series A Conversion Shares") at the election of the holder at any time at an initial conversion price of $1.45. The conversion price is subject to customary adjustments for stock dividends, stock splits, reclassifications and the like, and subject to price-based adjustment in the event of any issuances of common stock, or securities convertible, exercisable or exchangeable for common stock, at a price below the then-applicable conversion price (subject to certain exceptions).

The holders of the Series A Preferred Stock are entitled to dividends of 8% per annum, compounded monthly, which are payable in cash or shares of Common Stock, or a combination thereof, at the Company's option in accordance with the terms of the Series A Certificate of Designations. Upon the occurrence and during the continuance of a Triggering Event (as defined in the Series A Certificate of Designations), the Series A Preferred Stock will accrue dividends at the rate of 20% per annum. If the Company elects to pay any dividends in shares of Common Stock, the conversion price used to calculate the number of shares issuable will equal the lower of (i) the then applicable conversion price and (ii) 85% of the arithmetic average of the three (3) lowest closing prices of the Company's Common Stock during the twenty (20) consecutive trading day period ending on the trading day immediately preceding the dividend payment date, provided that such price shall not be lower than the lower of (x) $0.2828 (subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events ) and (y) 20% of the "Minimum Price" (as defined in Nasdaq Stock Market Rule 5635) on the date of receipt of stockholder approval of the transactions contemplated by the Series A Purchase Agreement (subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events) or, in any case, such lower amount as permitted, from time to time, by the Nasdaq Stock Market.

The Company may require holders to convert their shares of Series A Preferred Stock into shares of Common Stock if the closing price of the Company's Common Stock exceeds $8.00 per share (subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations or other similar events) for 20 consecutive trading days and the daily dollar trading volume of the Common Stock exceeds $2,000,000 per day during the same period, provided that certain equity conditions described in the Series A Certificate of Designations are satisfied.

At any time beginning 18 months from the date of the issuance, provided that the Company has filed all reports required to be filed by it pursuant to the Exchange Act on a timely basis for a continuous period of one year and provided further that certain equity conditions described in the Series A Certificate of Designations are satisfied, the Company has the right to redeem in cash all or some of the shares of the Series A Preferred Stock outstanding at such time at a redemption price equal to the product of (x) 125% multiplied by (y) the sum of (A) the stated value of the Series A Preferred Stock plus (B) all declared and unpaid dividends on such Series A Preferred Stock and any other unpaid amounts then due and payable hereunder with respect to such Series A Preferred Stock, plus (C) the make-whole amount, plus (D) any accrued and unpaid late charges with respect to such stated value and amounts payable pursuant to clause (B) as of such date of determination.

***Series B Offering***

On August 18, 2025, the Company entered into a Securities Purchase Agreement (the "Series B Purchase Agreement") with certain accredited investors (the "Series B Purchasers") for the issuance and sale in a private placement (the "Series B Private Placement") of an aggregate of (i) 4,500 shares of the Company's Series B Preferred Stock initially convertible into up to 3,000,000 shares of Common Stock (the "Series B Conversion Shares"), at an initial conversion price of $1.50 per share, and (ii) accompanying warrants Series B Warrants to purchase up to 3,000,000 shares of Common Stock (the "Series B Warrant Shares"), with an initial exercise price of $1.50 per share. The Series B Warrants and the shares of Series B Preferred Stock will be exercisable or convertible, respectively, into shares of Common Stock beginning on the effective date of stockholder approval of (i) under Nasdaq Stock Market Rule 5635(d), the issuance of shares of Common Stock in excess of 19.99% of the Company's issued and outstanding shares of Common Stock at prices below the "Minimum Price" (as defined in Rule 5635 of the Rules of the Nasdaq Stock Market) on the date of the Series B Purchase Agreement pursuant to the terms of the Series B Preferred Stock and the Series B Warrants, and (ii) an increase in the authorized shares of the Company. On December 12, 2025, at the Company's 2025 Annual Meeting of Stockholders, the Company obtained stockholder approval as required by the Series B Purchase Agreement (the "Series B Stockholder Approval").

*Series B Preferred Stock*

On August 20, 2025, the Company filed the Certificate of Designations of the Series B Preferred Stock (the "Series B Certificate of Designations"), thereby creating the Series B Preferred Stock. The Series B Certificate of Designations became effective with the Secretary of State of the State of Delaware upon filing. The Series B Preferred Stock are convertible into the Series B Conversion Shares at the election of the holders of the Series B Preferred Stock at any time at an initial conversion price of $1.50 per share. The conversion price is subject to customary adjustments for stock dividends, stock splits, reclassifications, stock combinations and the like (subject to certain exceptions).

Holders of the Series B Preferred Stock shall be entitled to receive dividends when and as declared by the Company's board of directors (the "Board"), from time to time, in its sole discretion, which dividends will be paid by the Company out of funds legally available therefor, payable, subject to the conditions and other terms of the Series B Certificate of Designations, in cash, in securities of the Company or using assets as determined by the Board on the stated value of such Series B Preferred Stock.

*Series B Warrants*

A holder of the Series B Warrants may not exercise any portion of such holder's Series B Warrants to the extent that the holder, together with its affiliates, would beneficially own more than 4.99% (or, at the election of the holder, 9.99%) of the Company's outstanding shares of Common Stock immediately after exercise, except that upon at least 61 days' prior notice from the holder to the Company, the holder may increase the beneficial ownership limitation to up to 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the exercise.

The Series B Warrants will expire five years from December 12, 2025, the effective date of the Series B Stockholder Approval.

***February 2026 Purchase Agreement***

On February 2, 2026, we entered into a securities purchase agreement (the "February 2026 Purchase Agreement") with certain investors (the "February 2026 Purchasers") for the issuance and sale in the February 2026 Private Placement of (i) an aggregate of 1,700,000 shares of Common Stock, (ii) pre-funded warrants (the "February 2026 Pre-Funded Warrants") to purchase up to 800,000 shares of Common Stock, with an exercise price of $0.0001 per share, and (iii) February 2026 Common Warrants to purchase up to 2,500,000 shares of Common Stock, with an exercise price of $2.30 per share. The purchase price for one share of Common Stock and accompanying February 2026 Common Warrant was $2.00 and the purchase price for one February 2026 Pre-Funded Warrant and accompanying February 2026 Common Warrant was $1.9999. The February 2026 Pre-Funded Warrants expire when exercised in full, and the February 2026 Common Warrants expire on February 3, 2031, five years from the date of issuance.

The closing of the February 2026 Private Placement (the "February 2026 Closing") occurred on February 3, 2026. The aggregate gross proceeds from the February 2026 Closing were approximately $5.0 million, prior to deducting offering expenses payable by us.

***August 2026 Registered Direct Offering***

On August 16, 2026, we entered into a securities purchase agreement with an institutional investor and an existing investor for the issuance and sale in the August 2026 Registered Direct Offering of (i) 5,771,519 shares of Common Stock at a purchase price of $1.40 per share and (ii) August 2026 Pre-Funded Warrants to purchase up to 2,800,090 shares of Common Stock at a purchase price of $1.3999 per August 2026 Pre-Funded Warrant, with an exercise price of $0.0001 per share. The offering was made pursuant to our shelf registration statement on Form S-3 (File No. 333-291707), and Maxim Group LLC acted as placement agent. The offering closed on August 18, 2026. The aggregate gross proceeds were approximately $12.0 million, and net proceeds were approximately $10.9 million after deducting placement agent fees and other offering expenses. We intend to use the net proceeds for working capital and general corporate purposes, including any future planned business expansion.

***Cash Flows***

*Cash Flows from Operating Activities*

Net cash used in operating activities was $5.3 million for the nine months ended September 30, 2026, compared to $7.6 million for the nine months ended September 30, 2025. The improvement of $2.3 million year-over-year was driven by a lower net loss after adjustment for non-cash items and more favorable changes in working capital as compared to the prior-year period. The primary components of operating cash flow for the nine months ended September 30, 2026 were the net loss of $10.7 million, adjusted for non-cash items including share-based compensation of $4.8 million, the inventory obsolescence reserve of $486 thousand and the non-cash $227 thousand gain on lease termination. Changes in working capital used approximately $0.4 million of cash during the nine months ended September 30, 2026, driven by an increase in accounts receivable and contract assets of $1.2 million, partially offset by a decrease in inventories of $0.5 million, an increase in accounts payable of $0.2 million and an increase in accrued liabilities and other of $0.2 million. This compares to changes in working capital that used approximately $1.0 million of cash during the nine months ended September 30, 2025.

*Cash Flows from Investing Activities*

Net cash used in investing activities was $2.2 million for the nine months ended September 30, 2026, compared to $0.2 million for the nine months ended September 30, 2025. Investing outflows in the nine months ended September 30, 2026 primarily consisted of a $2.0 million investment in Frenel and $0.2 million invested in patents and other intangible assets.

*Cash Flows from Financing Activities*

Net cash provided by financing activities was $16.1 million for the nine months ended September 30, 2026, compared to $10.2 million for the nine months ended September 30, 2025. Financing inflows in the nine months ended September 30, 2026 consisted of $10.9 million in net proceeds from the August 2026 Registered Direct Offering, $5.0 million in proceeds from the February 2026 Private Placement, $100 thousand from the exercise of outstanding common stock purchase warrants and $92 thousand from the exercise of stock options. Financing inflows in the nine months ended September 30, 2025 consisted of $5.7 million in net proceeds from the February 2025 private placement of common stock and warrants and $4.5 million in proceeds from the issuance of Series B Preferred Stock. No dividends on the Series A Preferred Stock or Series B Preferred Stock were paid in cash during the nine months ended September 30, 2026; dividends of $573 thousand were settled in shares of Common Stock.

**Contractual Obligations and Commitments**

Pursuant to that certain exclusive Amended and Restated Intellectual Property License Agreement, dated September 30, 2016, by and between the Company and Syzygy Licensing, LLC (“Syzygy”), we were obligated to pay to Syzygy a 4% royalty fee on future product sales up to an aggregate amount of $1.0 million in royalty payments, or until September 30, 2026, whichever occurred earlier. In 2024, the Company had incurred the maximum amount of royalties under the terms of the agreement. As of September 30, 2026, the aggregate remaining royalty obligation is $99 thousand.

In September 2023, the Company entered into a lease for office space located in Coconut Grove, Florida, with a multi-year term concluding in 2031. In February 2026, the Company terminated this lease, eliminating the remaining obligation.

As of September 30, 2026, the Company was committed to approximately $0.4 million for future component deliveries and contract services. These commitments relate primarily to inventory purchases and service agreements that are generally subject to modification or rescheduling in the normal course of business.

In August 2025, the Company entered into a lease for manufacturing and office space located in Southwest Virginia, with a multi-year term commencing in October 2025 and concluding in 2030. The Company was granted early occupancy of the facility beginning on August 18, 2025. As of September 30, 2026, aggregate remaining minimum lease payments under this lease totaled approximately $0.5 million.

In March 2026, the Company entered into a month-to-month service agreement for a business address located in Miami, Florida, at an approximate monthly cost of $192. The agreement may be terminated by either party in accordance with its terms.

The Company does not have any material long-term debt obligations as of September 30, 2026.

**Off-Balance Sheet Arrangements**

The Company has not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. Other than the equity-classified warrants described in Note 8 to the condensed consolidated financial statements, the Company has not entered into any derivative contracts that are indexed to the Company's shares and classified as stockholders' equity or that are not reflected in the Company's financial statements included in this Quarterly Report on Form 10-Q. Furthermore, the Company does not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. The Company does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

**Recent Accounting Pronouncements**

See Note 1, Organization, Summary of Significant Accounting Policies and Recent Developments—Recently Issued Accounting Guidance Not Yet Effective, to the condensed consolidated financial statements for a discussion of recently issued accounting pronouncements. Other than as described therein, there have been no recent accounting pronouncements or changes in accounting pronouncements during the nine months ended September 30, 2026, or subsequently thereto, that we believe are of potential significance to our financial statements, and there have been no material changes to the accounting pronouncements disclosed in the Annual Report.

**Critical Accounting Policies and Estimates**

There have been no significant changes to our critical accounting policies and estimates from those described in the Annual Report. Our critical accounting policies include revenue recognition, share-based compensation, allowance for credit losses, valuation of inventories and intangible assets. The gain on lease termination recorded in the nine months ended September 30, 2026 was determined based on the carrying values of the derecognized right-of-use asset and lease liability at the termination date in accordance with ASC 842. During the three months ended September 30, 2026, the Company also applied judgment in accounting for its investment in Frenel under the ASC 321 measurement alternative and in measuring the deemed dividend resulting from the down-round adjustment described in Note 10, which was based on a third-party valuation of the affected instruments immediately before and after the adjustment.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

**Item 4. Controls and Procedures.**

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Executive Chairman and Chief Executive Officer, who also serves as our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Report. Based upon that evaluation, our Chief Executive Officer concluded that, as of the end of the period covered in this Report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed by us under the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our Chief Executive Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our fiscal quarter ended September 30, 2026, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of business.

The information set forth in Note 13, Commitments and Contingencies, of the Notes to Condensed Consolidated Interim Financial Statements of this Quarterly Report on Form 10-Q is incorporated by reference herein.

### Item 1A. Risk Factors

The following risk factors supplement, and where applicable update, the risk factors previously disclosed in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2025, as filed with the SEC on March 26, 2026, and should be read together with those risk factors. Except as supplemented or updated below, the risk factors disclosed in the Annual Report remain in effect. Our business, financial condition and operating results can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below and those described in the Annual Report, any one or more of which could, directly or indirectly, cause our actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect our business, financial condition, operating results and stock price.

The following discussion of risk factors contains forward-looking statements. These risk factors may be important to understanding other statements in this Report. The following information should be read in conjunction with the unaudited condensed consolidated financial statements and related notes in Part I, Item 1, "Financial Statements" and Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Report.

***We depend on technology licensed from Frenel Imaging Ltd. for the detection layer of our WrapShield platform, and any loss or limitation of that license, or any failure of the underlying technology to perform as expected, could impair our platform strategy.***

The detection capability of our WrapShield platform relies on Frenel's proprietary thermal-polarimetric imaging technology, which we license on an exclusive basis in the United States and NATO markets. Frenel retains ownership of the underlying intellectual property. If the technology does not perform as expected, if Frenel fails to maintain or support it, if our license is terminated or converted to a non-exclusive license, or if Frenel is unable to protect its intellectual property, our ability to develop and commercialize WrapShield could be delayed or impaired. We may not be able to obtain an adequate substitute on acceptable terms or at all.

***Our exclusive license from Frenel is subject to minimum performance milestones, and if we fail to meet them, we could lose exclusivity and the anticipated benefits of the arrangement.***

Our exclusivity under the Frenel license depends on satisfying specified minimum annual commitment milestones over the initial four-year term, including establishing a U.S. value chain, completing product demonstrations and pilots, executing customer agreements, and generating specified cumulative revenue for Frenel. If we do not meet these milestones within the applicable periods or after any cure periods, the license would automatically convert to a non-exclusive license for the remainder of the term. Loss of exclusivity could reduce our competitive position and the return on our investment, and there is no assurance that we will achieve the milestones on the anticipated timeline or at all.

***Our minority investment in Frenel, a privately held company organized in Israel, is illiquid and subject to risks that could result in a partial or total loss of the investment.***

In July 2026 we invested $2.0 million in preferred shares of Frenel, a privately held company organized under the laws of Israel, and we hold a right to invest up to an additional $2.5 million. Our investment is illiquid and has no public market, and its value depends on Frenel's performance, financing needs, and ability to execute its business plan, over which we have limited control. As a minority holder, our information and governance rights are limited, and our rights are governed by Frenel's organizational documents and by Israeli law, which may differ from the protections available under U.S. law. Conditions in the region in which Frenel operates could also affect its business. The value of our investment could decline, and we could lose all or part of it.

***Our expanding defense and international activities subject us to complex export control and trade regulations, and any failure to comply could result in penalties and restrict our ability to sell our products.***

Our platform strategy and our activities with Frenel involve products and technologies that may be subject to U.S. export control and trade regulations, including the International Traffic in Arms Regulations, the Export Administration Regulations, and regulations administered by the Office of Foreign Assets Control, as well as Foreign Military Financing and Foreign Military Sales processes for NATO customers. Compliance is complex and costly, and violations could result in civil or criminal penalties, loss of export privileges, and reputational harm. Changes in these regulations, in licensing determinations, or in the classification of our products could restrict or delay our ability to sell into defense and international markets.

***The involvement of our Chief Executive Officer and our President is a condition of our Frenel license, and the loss or reduced involvement of either could adversely affect that arrangement.***

Under the Frenel license, Scot Cohen, our Executive Chairman and Chief Executive Officer, and Jared Novick, our President and Chief Operating Officer, are required to remain materially and actively involved in our performance under the agreement. A material reduction in the involvement of either person that is not resolved within the prescribed period would permit Frenel to convert our exclusive license to a non-exclusive license. The loss of the services of either executive, or a reduction in their involvement, could therefore harm our operations generally and our rights under the Frenel arrangement in particular.

***Our WrapShield platform strategy is in an early stage, and we may not be able to integrate, commercialize, or achieve market adoption of the platform.***

We introduced WrapShield in 2026 as a strategy to integrate threat detection, decision support, and proportionate response into a single architecture, with an initial focus on counter-unmanned aircraft system applications. The platform is in an early stage of development and depends on integrating technologies developed by third parties, including Frenel, with our own products. We may encounter technical, regulatory, funding, or procurement obstacles, and the timing and scale of any resulting revenue are uncertain. There is no assurance that WrapShield will achieve commercialization or market adoption, and our investments in the platform may not yield a return.

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

There were no unregistered sales of the Company’s equity securities, nor any purchases of the Company's equity securities by the Company, during the three months ended September 30, 2026, other than those previously reported in a Current Report on Form 8-K.

**Item 3. Defaults Upon Senior Securities**

There has been no default in the payment of principal, interest, sinking or purchase fund installment, or any other material default, with respect to any indebtedness of the Company.

**Item 4. Mine Safety Disclosures**

Not Applicable.

**Item 5. Other Information**

None of the Company's officers or directors adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended September 30, 2026, as such terms are defined under Item 408(a) of Regulation S-K.

**Item 6. Exhibits**

| Exhibit Number | Description |
|---|---|
| 4.1 | Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 18, 2026). |
| 10.1 | Securities Purchase Agreement, dated July 7, 2026, by and among the Company, Frenel Imaging Ltd. and certain other investors listed on the signature pages thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 13, 2026). |
| 10.2 | Amended and Restated Investors' Rights Agreement, dated July 7, 2026, by and among the Company, Frenel Imaging Ltd. and certain Frenel Imaging Ltd. shareholders listed on the signature pages thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 13, 2026). |
| 10.3 | Exclusive Distribution and License Agreement, dated July 7, 2026, by and between the Company and Frenel Imaging Ltd. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 13, 2026). |
| 10.4 | Form of Securities Purchase Agreement, dated August 16, 2026, by and among the Company and the investors signatory thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 18, 2026). |
| 10.5 | Placement Agency Agreement, dated August 16, 2026, by and between the Company and Maxim Group LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 18, 2026). |
| 10.6# | Amended and Restated Employment Agreement, dated September 2, 2026, by and between the Company and Scot Cohen (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2026). |
| 10.7# | Amended and Restated Employment Agreement, dated September 2, 2026, by and between the Company and Jared Novick (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2026). |
| 10.8# | Performance Restricted Stock Award Agreement, dated September 2, 2026, by and between the Company and Scot Cohen (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2026). |
| 10.9# | Performance Restricted Stock Award Agreement, dated September 2, 2026, by and between the Company and Jared Novick (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2026). |
| 10.10# | First Amendment to Amended and Restated Employment Agreement, dated November 16, 2026, by and between Wrap Technologies, Inc. and Jared Novick (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 16, 2026). |
| 31.1* | Rule 13a-14(a)/15d-14(a) Certification - Principal Executive Officer |
| 31.2* | Rule 13a-14(a)/15d-14(a) Certification - Principal Financial Officer. |
| 32.1** | Section 1350 Certification - Principal Executive Officer |
| 32.2** | Section 1350 Certification - Principal Financial Officer |
| **Extensible Business Reporting Language (XBRL) Exhibits*** | |
| 101.INS | Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL Document and included in Exhibit 101) |

* Filed concurrently herewith

** Furnished herewith.

# Indicates management contract or compensatory plan or arrangement

**SIGNATURES**

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

Wrap Technologies, Inc.

November 16, 2026

By: */s/ Scot Cohen*
Scot Cohen
Chief Executive Officer
(Principal Executive Officer)

November 16, 2026

By: */s/ Jared Novick*
Jared Novick
President
(Principal Financial Officer and Principal Accounting Officer)

**Exhibit 31.1**

CERTIFICATION PURSUANT TO SARBANES-OXLEY ACT OF 2002

I, Scot Cohen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wrap Technologies, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 16, 2026

*/s/ Scot Cohen*

Scot Cohen
Executive Chairman and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

CERTIFICATION PURSUANT TO SARBANES-OXLEY ACT OF 2002

I, Jared Novick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wrap Technologies, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 16, 2026

*/s/ Jared Novick*

Jared Novick
President
(Principal Financial Officer and Principal Accounting Officer)

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO SECTION 906**
**OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his or her capacity as an officer of Wrap Technologies, Inc. (the "*Company*"), that, to his or her knowledge, the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2026, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: November 16, 2026

*/s/ Scot Cohen*

Scot Cohen
Executive Chairman and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO SECTION 906**
**OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his or her capacity as an officer of Wrap Technologies, Inc. (the "*Company*"), that, to his or her knowledge, the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2026, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: November 16, 2026

*/s/Jared Novick*

Jared Novick
President
(Principal Financial Officer and Principal Accounting Officer)