

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

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 001-40747



authID Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

46-2069547

(I.R.S. Employer
Identification No.)

1580 North Logan Street, Suite 660, Unit 51767,
Denver, CO 80203

(Address of principal executive offices) (zip code)

516-274-8700

(Registrant's telephone number, including area code)

(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 | Name of each exchange on which registered |
|---|----------------|---|
| Common Stock par value \$0.0001 per share | AUID | The NASDAQ Stock Market LLC |

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, 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

Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

| Class | Outstanding at November 5, 2024 |
|--------------------------------------|---------------------------------|
| Common Stock, par value \$0.0001 | 10,920,909 shares |
| Documents incorporated by reference: | None |

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report includes forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “aim,” “will,” “would,” “could,” and similar expressions or phrases identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs.

You should read thoroughly this report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements including those made in this report, in Part I. Item 1A. Risk Factors also appear in our Annual Report on Form 10-K for the year ended December 31, 2023 and our other filings with the Securities and Exchange Commission. Some examples of risk factors which may affect our business are as follows:

- our lack of significant revenues, positive cash flow and history of losses,
- market acceptance of our products and competition;
- our ability to attract and retain customers for existing and new products;
- our ability to effectively maintain and update our technology and product and service portfolio;
- our reliance on third party software and developers;
- breaches of network or IT security and presentation attacks;
- our ability to hire and retain key personnel and additional talent;
- our ability to raise capital under acceptable terms;
- our ability to maintain listing of our common stock on the Nasdaq Capital Market;
- our ability to adequately protect our intellectual property, or the loss of some of our intellectual property rights through costly litigation or administrative proceedings;
- our ability to operate in non-US markets;
- the impact of the wars in Ukraine and the Middle East;
- stock price and market volatility and the risk of securities litigation;
- legislation and government regulation; and
- general economic conditions, inflation and access to capital.

Other sections of this report include additional factors which could adversely impact our business and financial performance. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, when used in this report the terms “authID” the “Company,” “we,” “our,” “us,” and similar terms refer to authID Inc., a Delaware corporation and its subsidiaries.

The information which appears on our website www.authID.ai is not part of this report.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

authID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

| | September 30, 2024 | December 31, 2023 |
|--|-------------------------------|------------------------------|
| | <u>(unaudited)</u> | <u></u> |
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 11,718,392 | \$ 10,177,099 |
| Accounts receivable, net | 223,606 | 91,277 |
| Deferred contract costs | 102,167 | 157,300 |
| Other current assets, net | 686,382 | 476,004 |
| Contract assets | 342,544 | - |
| Total current assets | <u>13,073,091</u> | <u>10,901,680</u> |
| Intangible assets, net | 213,373 | 327,001 |
| Goodwill | 4,183,232 | 4,183,232 |
| Total assets | <u>\$ 17,469,696</u> | <u>\$ 15,411,913</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 984,397 | \$ 1,408,965 |
| Deferred revenue | 329,343 | 131,628 |
| Commission liability | - | 124,150 |
| Accrued severance liability | 325,000 | - |
| Convertible debt, net | 236,769 | - |
| Total current liabilities | <u>1,875,509</u> | <u>1,664,743</u> |
| Non-current Liabilities: | | |
| Convertible debt, net | - | 224,424 |
| Accrued severance liability | - | 325,000 |
| Total liabilities | <u>\$ 1,875,509</u> | <u>\$ 2,214,167</u> |
| Commitments and Contingencies (Note 7) | | |
| Stockholders' Equity: | | |
| Common stock, \$0.0001 par value, 150,000,000 and 250,000,000 shares authorized; 10,920,909 and 9,450,220 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively | 1,092 | 945 |
| Additional paid-in capital | 184,800,174 | 172,714,712 |
| Accumulated deficit | (169,214,154) | (159,530,535) |
| Accumulated comprehensive income | 7,075 | 12,624 |
| Total stockholders' equity | <u>15,594,187</u> | <u>13,197,746</u> |
| Total liabilities and stockholders' equity | <u>\$ 17,469,696</u> | <u>\$ 15,411,913</u> |

See notes to condensed consolidated financial statements.

authID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------------------|------------------------------------|------------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenues, net | 248,920 | 43,389 | 686,736 | 118,387 |
| Operating Expenses: | | | | |
| General and administrative | 2,102,549 | 3,013,554 | 6,334,070 | 5,853,218 |
| Research and development | 1,615,970 | 701,495 | 4,213,041 | 1,525,723 |
| Depreciation and amortization | 43,798 | 60,416 | 131,210 | 212,450 |
| Total operating expenses | <u>3,762,317</u> | <u>3,775,465</u> | <u>10,678,321</u> | <u>7,591,391</u> |
| Loss from continuing operations | <u>(3,513,397)</u> | <u>(3,732,076)</u> | <u>(9,991,585)</u> | <u>(7,473,004)</u> |
| Other Income (Expense): | | | | |
| Interest expense | (12,712) | (13,138) | (36,219) | (1,095,320) |
| Interest income | 161,308 | 29,511 | 344,185 | 30,671 |
| Loss on debt extinguishment | - | - | - | (380,741) |
| Conversion expense | - | - | - | (7,476,000) |
| Other income (expense), net | <u>148,596</u> | <u>16,373</u> | <u>307,966</u> | <u>(8,921,390)</u> |
| Loss from continuing operations before income taxes | (3,364,801) | (3,715,703) | (9,683,619) | (16,394,394) |
| Income tax expense | - | - | - | (3,255) |
| Loss from continuing operations | <u>(3,364,801)</u> | <u>(3,715,703)</u> | <u>(9,683,619)</u> | <u>(16,397,649)</u> |
| Gain (loss) from discontinued operations | - | (1,915) | - | 1,524 |
| Gain on sale of discontinued operations | - | - | - | 216,069 |
| Total gain (loss) from discontinued operations | <u>-</u> | <u>(1,915)</u> | <u>-</u> | <u>217,593</u> |
| Net loss | <u>\$ (3,364,801)</u> | <u>\$ (3,717,618)</u> | <u>\$ (9,683,619)</u> | <u>\$ (16,180,056)</u> |
| Earnings (Loss) Per Share - Basic and Diluted | | | | |
| Continuing operations | <u>\$ (0.31)</u> | <u>\$ (0.47)</u> | <u>\$ (0.97)</u> | <u>\$ (3.05)</u> |
| Discontinued operations | <u>-</u> | <u>\$ (0.00)</u> | <u>-</u> | <u>\$ 0.04</u> |
| Weighted Average Shares Outstanding - Basic and Diluted: | <u>10,920,872</u> | <u>7,874,962</u> | <u>9,961,110</u> | <u>5,376,821</u> |

See notes to condensed consolidated financial statements.

authID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|-----------------------|--------------------------|------------------------|
| | September 30, | | September 30, | |
| | 2024 | 2023 | 2024 | 2023 |
| Net Loss | \$ (3,364,801) | \$ (3,717,618) | \$ (9,683,619) | \$ (16,180,056) |
| Foreign currency translation gain (loss) | 967 | 12,592 | (5,549) | (143,545) |
| Comprehensive loss | <u>\$ (3,363,834)</u> | <u>\$ (3,705,026)</u> | <u>\$ (9,689,168)</u> | <u>\$ (16,323,601)</u> |

See notes to condensed consolidated financial statements.

authID INC. AND SUBSIDIARIES

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

| | <u>Common Stock</u> | | <u>Additional Paid-in Capital</u> | <u>Accumulated Deficit</u> | <u>Accumulated Other Comprehensive Income</u> | <u>Total</u> |
|--|---------------------|-----------------|---|--------------------------------|---|----------------------|
| | <u>Shares</u> | <u>Amount</u> | | | | |
| Balances, June 30, 2024 | 10,920,851 | \$ 1,092 | \$ 184,164,638 | \$ (165,849,353) | \$ 6,108 | \$ 18,322,485 |
| Stock-based compensation | - | - | 595,536 | - | - | 595,536 |
| Reclass of offering costs | - | - | 40,000 | - | - | 40,000 |
| Cashless stock option exercise | 58 | - | - | - | - | - |
| Net loss | - | - | - | (3,364,801) | - | (3,364,801) |
| Foreign currency translation | - | - | - | - | 967 | 967 |
| Balances, September 30, 2024 | <u>10,920,909</u> | <u>\$ 1,092</u> | <u>\$ 184,800,174</u> | <u>\$ (169,214,154)</u> | <u>\$ 7,075</u> | <u>\$ 15,594,187</u> |
| Balances, December 31, 2023 | 9,450,220 | \$ 945 | \$ 172,714,712 | \$ (159,530,535) | \$ 12,624 | \$ 13,197,746 |
| Stock-based compensation | - | - | 2,044,210 | - | - | 2,044,210 |
| Sale of common stock for cash, net of offering costs | 1,464,965 | 146 | 10,041,253 | - | - | 10,041,399 |
| Cashless stock option exercise | 5,724 | 1 | (1) | - | - | - |
| Net loss | - | - | - | (9,683,619) | - | (9,683,619) |
| Foreign currency translation | - | - | - | - | (5,549) | (5,549) |
| Balances, September 30, 2024 | <u>10,920,909</u> | <u>\$ 1,092</u> | <u>\$ 184,800,174</u> | <u>\$ (169,214,154)</u> | <u>\$ 7,075</u> | <u>\$ 15,594,187</u> |
| Balances, June 30, 2023 | 7,874,962 | \$ 786 | \$ 162,155,308 | \$ (152,592,597) | \$ (208) | \$ 9,563,289 |
| Stock-based compensation | - | - | 1,519,952 | - | - | 1,519,952 |
| Incremental offering costs | - | - | (62,149) | - | - | (62,149) |
| Net loss | - | - | - | (3,717,618) | - | (3,717,618) |
| Foreign currency translation | - | - | - | - | 12,592 | 12,592 |
| Balances, September 30, 2023 | <u>7,874,962</u> | <u>\$ 786</u> | <u>\$ 163,613,111</u> | <u>\$ (156,310,215)</u> | <u>\$ 12,384</u> | <u>\$ 7,316,066</u> |
| Balances, December 31, 2022 | 3,179,789 | \$ 318 | \$ 140,257,448 | \$ (140,130,159) | \$ 155,929 | \$ 283,536 |
| Stock-based compensation | - | - | (22,949) | - | - | (22,949) |
| Warrants issued for services | - | - | 438,000 | - | - | 438,000 |
| Shares issued in lieu of interest | 111,516 | 11 | 387,567 | - | - | 387,578 |
| Conversion of convertible notes into common stock | 2,348,347 | 235 | 15,331,775 | - | - | 15,332,010 |
| Conversion of credit facility borrowings into common stock | 245,634 | 24 | 899,976 | - | - | 900,000 |
| Sale of common stock for cash, net of offering costs | 1,989,676 | 198 | 6,321,294 | - | - | 6,321,492 |
| Net loss | - | - | - | (16,180,056) | - | (16,180,056) |
| Foreign currency translation | - | - | - | - | (143,545) | (143,545) |
| Balances, September 30, 2023 | <u>7,874,962</u> | <u>\$ 786</u> | <u>\$ 163,613,111</u> | <u>\$ (156,310,215)</u> | <u>\$ 12,384</u> | <u>\$ 7,316,066</u> |

See notes to condensed consolidated financial statements.

authID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Nine Months Ended September 30, | |
|---|--|---------------------|
| | 2024 | 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (9,683,619) | \$ (16,180,056) |
| Adjustments to reconcile net loss with cash flows from operations: | | |
| Stock-based compensation | 2,044,210 | (22,949) |
| Depreciation and amortization expense | 131,210 | 212,450 |
| Provision for doubtful collection of other receivable | - | 150,000 |
| Amortization of debt discounts and issuance costs | 12,345 | 693,420 |
| Non-cash recruiting fees | - | 438,000 |
| Shares issued in lieu of interest | - | 387,578 |
| Gain from sale of discontinued operation | - | (216,069) |
| Loss on debt extinguishment | - | 380,741 |
| Conversion expense | - | 7,476,000 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (132,329) | 212,977 |
| Deferred contract costs | (69,017) | (66,300) |
| Other current assets | (552,922) | 66,676 |
| Accounts payable and accrued expenses | (424,961) | (178,428) |
| Deferred revenue | 197,715 | 21,734 |
| Other accrued liabilities | - | 290,000 |
| Adjustments relating to discontinued operations | - | 110,064 |
| Net cash flows from operating activities | <u>(8,477,368)</u> | <u>(6,224,162)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of discontinued operations, net of selling costs | - | 91,751 |
| Purchase of intangible assets | (17,582) | (16,601) |
| Net cash flows from investing activities | <u>(17,582)</u> | <u>75,150</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from sale of common stock, net of offering costs | 10,041,399 | 6,321,492 |
| Credit facility drawdown, net of issuance costs | - | 543,760 |
| Net cash flows from financing activities | <u>10,041,399</u> | <u>6,865,251</u> |
| Effect of Foreign Currencies | <u>(5,156)</u> | <u>(145,035)</u> |
| Net Change in Cash | 1,541,293 | 571,204 |
| Cash, Beginning of the Period | 10,177,099 | 3,237,106 |
| Cash, Beginning of the Period - Discontinued Operations | - | 2,703 |
| Cash, End of the Period - Discontinued Operations | - | - |
| Cash, End of the Period | <u>\$ 11,718,392</u> | <u>\$ 3,811,014</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest | <u>\$ 23,873</u> | <u>\$ -</u> |
| Cash paid for income taxes - discontinued operations | <u>\$ -</u> | <u>\$ 364</u> |
| Cash paid for income taxes | <u>\$ -</u> | <u>\$ 3,255</u> |
| Cash paid for income taxes - discontinued operations | <u>\$ -</u> | <u>\$ 1,254</u> |
| Schedule of Non-cash Investing and Financing Activities: | | |
| Conversion of convertible note payable and accrued interest to common stock | <u>\$ -</u> | <u>\$ 7,856,011</u> |
| Conversion of credit facility borrowings into common stock | <u>\$ -</u> | <u>\$ 900,000</u> |
| Warrants for services with the sale of common stock | <u>\$ 877,392</u> | <u>\$ 725,889</u> |
| Cashless option and warrant exercises | <u>\$ 1</u> | <u>\$ -</u> |

See notes to condensed consolidated financial statements.

authID INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

In the opinion of Management, the accompanying unaudited condensed consolidated financial statements are prepared in accordance with instructions for Form 10-Q, include all adjustments (consisting only of normal recurring accruals) which we considered as necessary for a fair presentation of the results for the periods presented. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2023. The results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for future periods or the full year.

The condensed consolidated financial statements include the accounts of authID Inc. and its wholly-owned subsidiaries MultiPay S.A.S., ID Solutions, Inc., FIN Holdings Inc., Ipsidy Enterprises Limited and authID Gaming Inc. (collectively the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Going Concern

As of September 30, 2024, the Company had an accumulated deficit of approximately \$169.2 million. For the three and nine months ended September 30, 2024, the Company earned revenue from continuing operations of approximately \$0.25 million and \$0.69 million, used approximately \$2.7 million and \$8.5 million to fund its operations, and incurred a net loss of approximately \$3.4 million and \$9.7 million.

The continuation of the Company as a going concern is dependent upon financial support from the Company's stockholders, the ability of the Company to obtain additional debt or equity financing to continue operations, the Company's ability to generate sufficient cash flows from operations, successfully locating and negotiating with other business entities for potential acquisition, and acquiring new clients to generate revenues and cash flows. In June 2024, the Company raised approximately \$10.0 million after expenses from existing and new stockholders through the sale of Common Stock pursuant to a registered direct offering. Going forward, the Company plans to raise additional funds to support its operations and investments as it seeks to create a sustainable organization. Our growth-oriented business plan to offer products to our customers will require continued capital investment and there is no guarantee that such financing will be available, or available on acceptable terms.

There is no assurance that the Company will ever be profitable. These unaudited condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern. As there can be no assurance that the Company will be able to achieve positive cash flows (become cash flow positive) and raise sufficient capital to maintain operations, there is substantial doubt about the Company's ability to continue as a going concern.

Reclassification

Certain prior year expenses have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the previously reported loss from continuing operations and management does not believe that this reclassification is material to the consolidated financial statements taken as a whole. Specifically, for the three and nine months ended September 30, 2023, we reclassified approximately \$48,000 and \$141,000, respectively, in expenses from research and development expenses to general and administrative expenses.

Net Loss per Common Share

The Company computes net loss per share in accordance with FASB ASC 260, "Earnings per Share". ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the statement of operations. Basic EPS is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible notes and stock warrants, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options, warrants and conversion of convertible notes. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive. The following potentially dilutive securities were excluded from the calculation of diluted loss per share for the three and nine months ended September 30, 2024 and 2023 because their effect was antidilutive:

| Security | 2024 | 2023 |
|---------------------------|------------------|------------------|
| Convertible notes payable | 8,277 | 8,277 |
| Warrants | 697,446 | 488,018 |
| Stock options | 1,991,048 | 1,685,570 |
| | <u>2,696,771</u> | <u>2,181,865</u> |

Revenue Recognition

Software License – The Company recognizes revenue based on the identified performance obligations over the performance period for fixed consideration and / or variable fees generated. Variable fees are typically earned over time based on monthly users, transaction volumes or a monthly flat fee rate. We allocate the selling price in a contract which has multiple performance obligations based on the contract selling price that we believe represents a fair market price for the service rendered based on estimated standalone selling price. Transaction fees are billed monthly and are constrained to transactions incurred within the month.

For contracts with minimum annual fees, the Company generally recognizes the amount of revenue ratably over the contract year and records contract assets for the amount in excess of monthly contract billings relating to variable contract consideration. For certain contracts, the Company enters into an agreement which stipulates a minimum annual fee which is generally due at the end of the contract year, in excess of the amount of monthly billings. The Company may also require milestone payments of the minimum annual fee. The amount of any billed fees in excess of revenue recognized is recorded as deferred revenue. The company accounts for any price concessions granted to a customer as reductions to consideration under each respective contract and subsequently recognizes revenue up to the amount of the revised consideration after the concession is provided.

Any usage-based fees in excess of the minimum contract amount are charged to the customer and allocated to the annual period in which they are earned under the contract. At the beginning of each annual period in the contract, the Company estimates the variable amounts for the annual period subject to the constrained variable consideration (usage-based fees) and recognizes that amount on a time-elapsed basis over the annual period. At each reporting date within an annual period, the Company reassesses its estimate of the excess variable amounts for the annual period and updates the amount recognized on a time-elapsed basis over the remainder of the annual period.

The Company had deferred revenue contract liabilities of approximately \$329,000 and \$132,000 as of September 30, 2024 and December 31, 2023, respectively, for certain revenue that will be earned in future periods.

Concentration of Revenue and Accounts Receivable

For the nine months ended September 30, 2024, two customers represented 64% of revenue. For the nine months ended September 30, 2023, one customer represented 49% of revenue. For the three months ended September 30, 2024, three customers represented 84% of revenue. For the three months ended September 30, 2023, one customer represented 53% of revenue. As of September 30, 2024, three customers accounted for 71%, of accounts receivable. As of December 31, 2023, two customers accounted for 67%, of accounts receivable.

Remaining Performance Obligations

As of September 30, 2024, the Company's Remaining Performance Obligation (RPO) was \$3.83 million, of which \$0.33 million is recorded as deferred revenue and \$3.50 million is related to other non-cancellable contracted amounts. The Company expects approximately 27% of the RPO to be recognized as revenue over the twelve months ending September 30, 2025, based on contractual commitments and expected usage patterns. However, the amount and timing of revenue recognition are generally dependent upon customers' future consumption, which is inherently variable at customers' discretion. Furthermore, the Company does not have sufficient historical information to estimate the recognition of revenue due to its current operations and has approximated such amount based on discussions with the contracted parties.

In July 2024, the Company evaluated the rollout timelines for several customers who have delayed go-live adoption dates due to their respective corporate processes and timelines. The Company expects to amend an agreement with certain customers (who comprises \$1.4 million of the Company's RPO as of September 30, 2024) to modify the terms of their contract and defer the timing of their minimum payment obligations. The Company expects these modification agreements to be finalized during the quarter ending December 31, 2024, resulting in a reduction in the future periodic recognition of the revenue associated with this performance obligation through the end of the modified contract period, December 31, 2027. The proposed modifications are not expected to affect the overall RPO associated with the customer contracts.

Deferred Contract Costs – We defer the portion of sales commission that is considered a cost of obtaining a new contract with a customer and amortize these deferred costs over the period of benefit. We expense the remaining sales commissions as incurred. Reversals recorded in the nine months ending September 30, 2024 reflect commission clawbacks for certain bookings that were adjusted in the quarter, per our corporate policy. The following table summarizes deferred contract cost activity for the nine months ended September 30, 2024:

| | Deferred Contract Costs |
|--------------------------------------|--|
| Carrying Value at December 31, 2023 | \$ 157,300 |
| Additions | 32,572 |
| Reversals | (71,500) |
| Amortization | (16,205) |
| Carrying Value at September 30, 2024 | <u>\$ 102,167</u> |

NOTE 2 – OTHER CURRENT ASSETS

Other current assets consisted of the following at September 30, 2024 (unaudited) and December 31, 2023:

| | September 30, 2024 | December 31, 2023 |
|--|-------------------------------|------------------------------|
| Prepaid insurance | \$ 225,604 | \$ 184,492 |
| Prepaid third-party and related party services | 460,778 | 291,512 |
| | <u>\$ 686,382</u> | <u>\$ 476,004</u> |

NOTE 3 – INTANGIBLE ASSETS, NET (OTHER THAN GOODWILL)

The Company's intangible assets primarily consist of acquired and developed software that is being amortized over their estimated useful lives as indicated below. The following is a summary of activity related to intangible assets for the nine months ended September 30, 2024 (unaudited):

| | Acquired and Developed Software | | Patents | Total |
|--------------------------------------|--|-------------------|----------------|-------------------|
| | 5 Years | 10 Years | | |
| Useful Lives | 5 Years | 10 Years | | |
| Carrying Value at December 31, 2023 | \$ 212,798 | \$ 114,203 | \$ | \$ 327,001 |
| Additions | - | 17,582 | - | 17,582 |
| Amortization | (117,878) | (13,332) | - | (131,210) |
| Carrying Value at September 30, 2024 | <u>\$ 94,920</u> | <u>\$ 118,453</u> | <u>\$</u> | <u>\$ 213,373</u> |

The following is a summary of intangible assets as of September 30, 2024 (unaudited):

| | Acquired and Developed Software | Patents | Total |
|--------------------------------------|--|-------------------|-------------------|
| Cost | \$ 1,734,662 | \$ 182,196 | \$ 1,916,858 |
| Accumulated amortization | (1,639,742) | (63,743) | (1,703,485) |
| Carrying Value at September 30, 2024 | <u>\$ 94,920</u> | <u>\$ 118,453</u> | <u>\$ 213,373</u> |

Amortization expense totaled approximately \$131,000 and \$212,000 for the nine months ended September 30, 2024, and 2023, respectively.

Future expected amortization of intangible assets is as follows:

| | |
|------------------------------|-------------------|
| 2024 (Remainder of the Year) | \$ 43,847 |
| 2025 | 71,089 |
| 2026 | 20,986 |
| 2027 | 18,219 |
| 2028 | 18,219 |
| Thereafter | 41,013 |
| | <u>\$ 213,373</u> |

There were no impairment indicators noted with respect to the Company's long-lived assets, including intangible assets, as of September 30, 2024.

NOTE 4 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following as of September 30, 2024 (unaudited) and December 31, 2023:

| | September 30, 2024 | December 31, 2023 |
|---|-------------------------------|------------------------------|
| Trade payables | \$ 347,762 | \$ 235,606 |
| Accrued payroll and related obligations | 202,730 | 707,317 |
| Insurance Premium Liability | 163,696 | 104,226 |
| Other accrued expenses | 270,209 | 361,816 |
| | <u>\$ 984,397</u> | <u>\$ 1,408,965</u> |

NOTE 5 – RELATED PARTY TRANSACTIONS

Board of Directors

On February 15, 2024, Mr. Joe Trelin tendered his resignation as Chairman and a Director of the Company, effective immediately. On February 20, 2024, the board of directors of the Company (the "Board") accepted his resignation and agreed to vest the unvested portion of an option granted to Mr. Trelin on June 28, 2023, amounting to 6,511 shares.

On March 25, 2024, Mr. Kunal Mehta was appointed as a Director of the Company, upon the standard terms for non-employee Directors. On May 20, 2024, Mr. Mehta was granted an option to purchase 13,282 shares of common stock at an exercise price of \$7.78 per share. 12,500 of the shares vest annually in equal amounts over a three-year period commencing in 2025 and 782 shares vested monthly in equal amounts over a three-month period commencing March 2024.

On August 13, 2024, the Company granted 15,627 options each at the exercise price of \$8.67 per share to Messrs. Michael Koehneman, Michael Thompson, Ken Jisser, Kunal Mehta and Ms. Jacqueline White, in accordance with the Company's compensation policy for non-employee directors. Each such option vests over a period of twelve months.

Commercial Agreements

On June 6, 2023, the Company entered into a services agreement with The Pipeline Group, Inc. (“TPG”). Ken Jisser, a director of the Company, is the founder and CEO of TPG, a technology-enabled services company that aims to deliver business results for companies looking to build a predictable and profitable pipeline. As of September 30, 2024, the Company held a balance of approximately \$117,000 in prepaid expenses related to this service agreement. In June 2024, the agreement with TPG was renewed for an additional year at a reduced fee rate of \$70,000 per month. Total expense incurred under this contract during the three and nine months ended September 30, 2024 was approximately \$210,000 and \$752,000, respectively. Total expense incurred under this contract during the three and nine months ended September 30, 2023 was approximately \$141,000 and \$260,000, respectively.

Employment Agreement

Since June 2023, the Company has employed Dale Daguro, the brother of our CEO, Rhon Daguro as a VP Sales. Dale Daguro’s employment is at will and may be terminated at any time, with or without cause. Dale’s compensation is commensurate with other executives employed by the Company at a similar level of seniority and experience. During the nine months ended September 30, 2024, Dale Daguro earned approximately \$201,000 in base salary and sales commission.

Issuance of Common Stock

On June 27, 2024, Michael Thompson, a Director of the Company purchased 12,254 shares of the Company’s common stock at an aggregate price of \$100,000, as part of the Company’s Registered Direct offering (See Note 6 – Stockholders’ Equity).

NOTE 6 – STOCKHOLDERS’ EQUITY

Common Stock

On June 27, 2024, pursuant to Securities Purchase Agreements in a Registered Direct Offering, the Company issued 1,464,965 shares of common stock for cash gross proceeds of approximately \$11.0 million (or approximately \$10.0 million, net of offering costs).

During the nine months ended September 30, 2024 the Company issued 5,724 shares of common stock, upon the cashless exercise of stock options.

During the nine months ended September 30, 2023, shares of common stock were issued as a result of the following transactions:

- On May 26, 2023, pursuant to Securities Purchase Agreements, the Company issued 1,989,676 shares of common stock for cash gross proceeds of approximately \$7.3 million (or approximately \$6.4 million, net of offering costs).
- On May 26, 2023, pursuant to a Securities Purchase Agreement, Mr. Garchik capitalized the outstanding principal balance of \$900,000 under the Initial Promissory Note, into 245,634 shares of common stock.
- On May 26, 2023, pursuant to an exchange agreement with Holders of Convertible Notes payable, the Company issued 2,348,347 shares of common stock in exchange for Convertible Notes in the gross principal amount of approximately \$8.9 million (approximately \$7.9 million, net of debt issuance costs and discount). In addition, the Company recorded approximately \$7.5 million of expense on conversion of convertible notes.
- The Company issued 111,516 shares of common stock for approximately \$388,000 of interest accrued under the Convertible Notes and Credit Facility.

Warrants

On June 27, 2024, in connection with their placement agent services, the Company issued 102,547 common stock warrants to the placement agent, with a term of 5 years and an exercise price of \$7.50 per share.

During the nine months ended September 30, 2023, warrants were issued as a result of the following transactions:

- On May 26, 2023, in connection with their placement agent services, the Company issued 156,712 common stock warrants to the placement agent, with a term of 5 years and an exercise price of \$3.664 per share.
- On May 12, 2023, in connection with certain recruitment services, the Company issued 187,500 common stock warrants to the placement agent with a term of 5 years and an exercise price of \$3.164 per share.

The following is a summary of the Company's warrant activity for the nine months ended September 30, 2024 (unaudited):

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Life |
|---------------------------------|---------------------|--|--|
| Outstanding, December 31, 2023 | 598,267 | \$ 11.89 | 3.9 Years |
| Granted | 102,547 | \$ 7.50 | 4.8 Years |
| Exercised/Cancelled | (3,368) | \$ 21.12 | - |
| Outstanding, September 30, 2024 | <u>697,446</u> | <u>\$ 11.20</u> | 3.6 Years |

Stock Options

During the nine months ended September 30, 2024,

- The Company granted directors a total of 91,417 options at exercise prices ranging from \$7.78 to \$8.67 per share.
- The Company also granted 220,000 options to certain new employees at exercise prices ranging from \$7.99 to \$9.61 per share.
- The Company agreed to accelerate the vesting of 6,511 options for Mr. Joe Trelin under the terms of his resignation with an exercise price of \$5.48 per share. These accelerated options would not otherwise have vested prior to termination of service according to their Service conditions. Therefore, the Company recalculated the fair value of these options as of his resignation date of February 20, 2024 using the Black Scholes method.
- Certain stock option holders exercised their stock options and were issued approximately 5,724 shares of our common stock.

The Company determined the grant date fair value of options granted for the nine months ended September 30, 2024, using the Black Scholes Method, as applicable, with the following assumptions:

| | |
|---------------------|---------------|
| Expected volatility | 118 – 123% |
| Expected term | 5 years |
| Risk free rate | 3.49% - 4.46% |
| Dividend rate | 0.00% |

Activity related to stock options for the nine months ended September 30, 2024 (unaudited), is summarized as follows:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Contractual Term (Yrs.) | Aggregate Intrinsic Value |
|--------------------------------------|------------------------|--|---|---------------------------------|
| Outstanding at December 31, 2023 | 1,796,743 | \$ 25.20 | 6.5 | \$ 3,630,733 |
| Granted | 311,417 | \$ 8.69 | 10.0 | \$ - |
| Exercised | (15,875) | \$ 5.49 | - | \$ - |
| Forfeited/cancelled | (101,237) | \$ 39.04 | 7.0 | \$ - |
| Outstanding as of September 30, 2024 | <u>1,991,048</u> | <u>\$ 22.07</u> | 6.3 | <u>\$ 1,314,090</u> |
| Exercisable as of September 30, 2024 | <u>1,184,263</u> | <u>\$ 28.67</u> | 4.7 | <u>\$ 735,615</u> |

The following table summarizes stock option information as of September 30, 2024 (unaudited):

| Exercise Price | Outstanding | Weighted Average Contractual Term (Yrs.) | Exercisable |
|--------------------|-------------|---|-------------|
| \$2.64 – \$5.00 | 344,379 | 8.5 | 193,339 |
| \$5.01 – \$10.00 | 828,272 | 9.1 | 257,490 |
| \$10.01 – \$15.00 | 43,078 | 2.1 | 43,078 |
| \$15.01 – \$20.00 | 252,084 | 1.0 | 252,084 |
| \$20.01 – \$121.28 | 523,235 | 3.3 | 438,272 |
| | 1,991,048 | 6.3 | 1,184,263 |

During the nine months ended September 30, 2024, the Company recognized approximately \$2.1 million of stock option-based compensation expense. As of September 30, 2024, there was approximately \$2.6 million of unrecognized compensation costs related to stock options outstanding that will be expensed through 2027.

On May 24, 2024, the Board of Directors adopted the 2024 Equity Incentive Plan (the “2024 Plan”). On June 26, 2024, the stockholders approved and ratified the 2024 Plan and the allocation of 395,000 shares of Common Stock to the 2024 Plan, in addition to the remaining shares not allocated to awards under the 2021 Equity Incentive Plan and any shares, which become available as a result of the forfeiture, or cancellation of any previous awards. As of September 30, 2024, there were 447,523 shares allocated to and available for issuance of awards under the 2024 Plan.

During the nine months ended September 30, 2024, the Company also issued 140,000 options to purchase common stock and agreed to grant 100,000 options to newly hired employees as inducement grants under Nasdaq Listing Rule 5635(c)(4), which are not included in the totals for the 2024 Plan.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time the Company is a party to various legal or administrative proceedings arising in the ordinary course of our business. While any litigation contains an element of uncertainty, we have no reason to believe that the outcome of such proceedings will have a material adverse effect on the financial condition or results of operations of the Company.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which we have prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluate estimates and judgments, including those described in greater detail below. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

As used in this “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” except where the context otherwise requires, the term “we,” “us,” “our,” “authID” or “the Company,” refers to the business of authID Inc. and its subsidiaries.

Overview

authID ensures cyber-savvy enterprises “Know Who’s Behind the Device”TM for every customer or employee login and transaction. Through its easy-to-integrate, patented, biometric identity platform, authID quickly and accurately verifies a user’s identity, eliminating any assumption of ‘who’ is behind a device and preventing cybercriminals from taking over accounts. authID combines digital onboarding, biometric passwordless authentication and account recovery, with a fast, accurate, user-friendly experience – delivering identity verification in 700ms. Establishing a biometric root of trust for each user that is bound to their accounts, or provisioned devices, authID stops fraud at onboarding, eliminates password risks and costs, and provides the faster, frictionless, and more accurate user identity experience demanded by operators of today’s digital ecosystems.

Our Platform

Our VerifiedTM cloud-based platform was developed with internally developed software as well as acquired and licensed technology and provides the following core services:

- Biometric Identity Verification
- Biometric Identity Authentication
- Account / Access Recovery
- FIDO Passkey binding

Biometric Identity Verification

Biometric identity verification establishes the trusted identity of a user based on a variety of ground truth sources, including government-issued identity documents such as national IDs, driver’s licenses and passports or electronic machine-readable travel documents (or eMRTDs). Our VerifiedTM platform detects presentation attack and spoofing threats, evaluates the authenticity of security features present on a government-issued identity document, and biometrically matches the reference picture of the document with a live user’s selfie (a photograph that the user has taken of themselves). Usually occurring at account opening or onboarding, identity verification ensures that the enterprise knows that the person interacting with the enterprise is who they say they are, in real time. authID’s ProofTM identity verification product eliminates the need for costly and less accurate face-to-face, in-person ID checks and instead provides a verified identity in seconds. In a digital, online world of increasing fraud and security threats, Proof speeds up onboarding and offers our customers confidence in the identities of consumers, employees or third-party vendors.

Biometric Identity Authentication

Biometric identity authentication provides any organization with a secure, convenient solution to validate that an individual is the verified account owner for various purposes including passwordless login and performing specific transactions, or functions. The authID Verified product allows users to confirm their identity with their facial biometric by simply taking a selfie on a mobile phone or device of their choosing (as opposed to dedicated hardware). The solution includes a patented audit trail created for each transaction, containing the digitally signed transaction details, with proof of identity authentication and consent.

Account Access and Recovery

authID's Verified biometric identity authentication solution allows users to recover, via a facial biometric, account access that is lost or blocked due to expired credentials, lockouts, lost or stolen devices, or compromised accounts. Because the account owner's root of trust is established in the cloud, recovery is independent of any device or hardware. In this way, account recovery is instant, portable, and does not require the presence of or access to a previously provisioned device in order to secure access from a different device.

FIDO Passkey Binding

FIDO Passkey Binding enables enterprises and their users to bind biometrically verified user identities to FIDO2 passkeys, enabling strong authentication for device-based passwordless login and transaction authentication that is tied to a trusted identity. This solution establishes a digital chain of trust between biometrically verified individuals, their accounts, and their devices, thus eliminating passwords and protecting users and systems against fraud attacks.

Key Customer Benefits

Our solution allows our enterprise customers to:

- *Verify and Authenticate users.* Customers can use the authID platform not only to verify the identity of new users, but also to authenticate those users seamlessly on an ongoing basis to enable quick, secure logins and transaction authentications.
- *Benefit from high-speed processing.* Our solution returns a very low-latency response, key to enabling high-volume use cases (such as logins and high-value transactions) and providing a frictionless user experience.
- *Precisely and accurately identify their consumers and employees, giving the enterprise complete confidence in who is accessing their digital assets*
- *Provide a seamless user experience in terms of speed and self-guided flow, so that even users who are not tech-savvy are easily able to complete the identity verification and authentication processes*
- *Support a wide variety of devices.* Our cloud-based service is device agnostic and may be used to verify or authenticate users on any device with a camera, including shared devices, digital kiosks, etc.
- *Integrate quickly and easily.* We offer pre-integrated OIDC connections as well as integrations with several leading Identity and Access Management solutions.
- *Offer broad identity document coverage.* We can verify identities using a wide spectrum of government-issued documents from around the world.

Key Trends

We believe that our financial results will be impacted by several market trends in the identity verification and authentication markets, as well as expanding digital transformation efforts across a wide range of market segments. These trends include:

- growing concerns over identity theft, fraud and account takeover, resulting from the acceleration of digital transformation, for example online shopping and remote working and the growth in AI assisted fraud;
- the growth in the sharing economy; and
- the increase in electronic payments and alternative money transfer solutions provided by both bank and non-bank entities. The key drivers for these alternative payment methods are consumer demands for safe, convenient payment transactions, with less friction.

Our results are also impacted by the changes in levels of spending on identity verification, management and security methods, and thus, negative trends in the global economy and other factors which negatively impact such spending may negatively impact the growth in our revenue from those products. The global economy has been undergoing a period of political and economic uncertainty and stock markets are experiencing high levels of volatility, and it is difficult to predict how long this uncertainty and volatility will continue.

We plan to grow our business by increasing the use of our services by our existing customers, by adding new customers through our direct salesforce, channel partners and by expanding into new markets and innovation. If we are successful in these efforts, we would expect our revenue to continue to grow.

The Company was incorporated in the State of Delaware on September 21, 2011, and changed our name from Ipsidy Inc. to authID Inc. on July 18, 2022. Our corporate headquarters is located at 1580 North Logan Street, Suite 660, Unit 51767, Denver, CO 80203 and our main phone number is (516) 274-8700. Our website address is www.authid.ai. The information contained on, or that can be accessed through, our website is not incorporated by reference into this Form 10-Q and you should not consider information on our website to be part of this Form 10-Q.

Going Concern

The Company's unaudited condensed consolidated financial statements included in this Quarterly Report have been prepared in accordance with United States GAAP assuming the Company will continue on a going concern basis, which implies the Company will continue to meet its obligations and continue its operations for the next year following the issuance date of these financial statements.

As of September 30, 2024, the Company had an accumulated deficit of approximately \$169.2 million. For the nine months ended September 30, 2024, the Company earned revenue from continuing operations of approximately \$0.7 million, used approximately \$8.5 million to fund its operations, and incurred a net loss of approximately \$9.6 million. The continuation of the Company as a going concern is dependent upon financial support from the Company's stockholders and noteholders, the ability of the Company to obtain additional debt or equity financing to continue operations, the Company's ability to generate sufficient cash flows from operations, successfully locating and negotiating with other business entities for potential acquisition and /or acquiring new clients to generate revenues and cash flows. In June 2024, the Company raised approximately \$10.0 million after expenses from existing and new stockholders through the sale of Common Stock pursuant to a registered direct offering. Going forward, the Company plans to raise additional funds to support its operations and investments as it seeks to create a sustainable organization. Our growth-oriented business plan to offer products to our customers will require continued capital investment and there is no guarantee that such financing will be available, or available on acceptable terms.

There is no assurance that the Company will ever be profitable. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern. As there can be no assurance that the Company will be able to achieve positive cash flows (become cash flow profitable) and raise sufficient capital to maintain operations, there is substantial doubt about the Company's ability to continue as a going concern.

Adjusted EBITDA

This discussion includes information about Adjusted EBITDA that is not prepared in accordance with GAAP. Adjusted EBITDA is not based on any standardized methodology prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies. A reconciliation of this non-GAAP measure is included below. Adjusted EBITDA is a non-GAAP financial measure that represents GAAP net income (loss) adjusted to exclude (1) interest expense and debt discount and debt issuance costs amortization expense, (2) interest income, (3) provision for income taxes, (4) depreciation and amortization, (5) stock-based compensation expense (stock options) and (6) loss on debt extinguishment, and conversion expense on exchange of Convertible Notes and certain other items management believes affect the comparability of operating results. Management believes that Adjusted EBITDA, when viewed with our results under GAAP and the accompanying reconciliations, provides useful information about our period-over-period results. Adjusted EBITDA is presented because management believes it provides additional information with respect to the performance of our fundamental business activities and is also frequently used by securities analysts, investors and other interested parties in the evaluation of comparable companies. We also rely on Adjusted EBITDA as a primary measure to review and assess the operating performance of our company and our management, and it will be a focus as we invest in and grow the business. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not include the impact of certain charges or gains resulting from matters we consider not to be indicative of our ongoing operations.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only as a supplement to our GAAP results.

Reconciliation of Loss from Continuing Operations to Adjusted EBITDA Continuing Operations:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|--------------------|--|--------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Loss from continuing operations | \$ (3,364,801) | \$ (3,715,703) | \$ (9,683,619) | \$ (16,397,649) |
| Addback: | | | | |
| Interest expense, net | 12,712 | 13,138 | 36,219 | 1,095,320 |
| Other income | (161,308) | (29,511) | (344,185) | (30,671) |
| Loss on debt extinguishment | - | - | - | 380,741 |
| Conversion expense | - | - | - | 7,476,000 |
| Severance cost | - | 49,390 | 14,251 | 878,348 |
| Depreciation and amortization | 43,798 | 60,416 | 131,210 | 212,450 |
| Non-cash recruiting fees | - | - | - | 438,000 |
| Taxes | - | - | - | 3,255 |
| Stock compensation | 595,536 | 1,519,952 | 2,044,210 | (22,949) |
| Adjusted EBITDA continuing operations (Non-GAAP) | <u>\$ (2,874,063)</u> | <u>(2,102,318)</u> | <u>(7,801,914)</u> | <u>(5,967,155)</u> |

Three and Nine Months Ended September 30, 2024 and September 30, 2023 – Continuing Operations**Revenues, net**

During the three and nine months ended September 30, 2024, the Company's revenues were approximately \$249,000 and \$687,000, respectively, compared to approximately \$43,000 and \$118,000, respectively, in the three and nine months ended September 30, 2023, principally due to the recognition of revenue from new customer contracts signed in the second half of 2023.

General and administrative expenses

During the three and nine months ended September 30, 2024 compared to the three and nine months ended September 30, 2023, general and administrative expense decreased by approximately \$0.9 million and increased by \$0.5 million, respectively. The decrease for the three month period was driven by lower stock-based compensation expense, while the increase for the nine month period reflected a one-time event in 2023, representing an approximately \$2.5 million reversal of stock-based compensation in Q1 2023 on stock awards with market vesting conditions resulting from Q1 2023 terminations, which was not repeated in 2024. This increase was partially offset by the reduction in employee-related expense due to cost savings from the 2023 restructuring initiative.

Research and development expenses

During the three and nine months ended September 30, 2024 compared to the three and nine months ended September 30, 2023, research and development expenses increased by approximately \$0.9 million and \$2.7 million, respectively. The increase was comprised of re-investment in employees and contractors following the 2023 restructuring as well as \$0.8 million from the one-time reversal of stock-based compensation in Q1 2023 on stock awards with market vesting conditions resulting from Q1 2023 terminations, which was not repeated in 2024.

Depreciation and amortization expense

During the three and nine months ended September 30, 2024 compared to September 30, 2023, depreciation and amortization expense was approximately \$0.02 million and \$0.08 million less, respectively, as the Company reduced the value of certain legacy business asset values.

Interest expense

Interest expense includes interest expense, debt issuance and discount amortization expense. Interest expense remained flat and increased \$1.1 million, respectively, during the three and nine months ended September 30, 2024 compared to September 30, 2023 principally due to the exchange of Convertible Notes for common stock in May 2023.

Three and Nine Months Ended September 30, 2024 and September 30, 2023 – Discontinued Operations

On May 4, 2022, the Board approved a plan to exit from certain non-core activities comprising the MultiPay correspondent bank, payments services in Colombia.

MultiPay business in Colombia

In June 2023, MultiPay finalized the sale of the Company's proprietary software to its major customer for approximately \$96,000. As a result, the Company recognized a gain of approximately \$216,000 which included the release of a foreign currency translation gain of approximately \$155,000.

Although the Company exited the MultiPay business in Colombia, it still maintains an authID customer support and operations team in Bogota which performs essential functions to support the global operations of our Verified and Proof products.

The Multipay entity has been dissolved as of August 2, 2024.

Liquidity and Capital Resources

The Company has approximately \$11.7 million of cash on hand and approximately \$11.2 million of working capital as of September 30, 2024.

Cash used in operating activities was approximately \$8.5 million and \$6.2 million in the nine months ended September 30, 2024 and 2023, respectively.

Cash used in investing activities for the nine months ended September 30, 2024 was approximately \$18,000, compared with \$17,000 for the nine months ended September 30, 2023, for purchases of intangible assets.

Cash provided by financing activities in the nine months ended September 30, 2024 consisted of approximately \$10.0 million in proceeds from the sale of common stock, net of offering costs.

Cash provided by financing activities in the nine months ended September 30, 2023 consisted of approximately \$6.3 million in proceeds from the sale of common stock, net of offering costs, and \$0.5 million initial drawdown net of debt issuance costs under the Company's A&R Facility Agreement.

In 2025, the Company will need to raise additional funds to support its operations and investments as it seeks to create a sustainable organization. Our growth-oriented business plan to offer products to our customers will require continued capital investment and there is no guarantee that such financing will be available, or available on acceptable terms.

There is no guarantee that our current business plan will not change, and as a result of such change, we will need additional capital to implement such business plan. Further, assuming we achieve our expected growth plan, of which there is no guarantee, we will need additional capital to implement growth beyond our current business plan.

Ukraine and the Middle East

The war in Ukraine and the Middle East may impact the Company and its operations in a number of different ways, which are yet to be fully assessed and are therefore uncertain. The Company's principal concern is for the safety of the personnel who support us from those regions. The Company works with third party sub-contractors for outsourced services, including software engineering and development, some of whom are based in Eastern Europe. The Company also works with outsourced engineers and developers and third-party providers in other parts of the world, including the United States, Europe, India, and Latin America. While the continuing impact of this conflict and the response of the United States and other countries to it by means of trade and economic sanctions, or other actions is still unknown, it could disrupt our ability to work with certain contractors. The Company has taken steps to diversify its sub-contractor base, which may in the short term give rise to additional costs and delays in delivering software and product upgrades.

The uncertainty impacting and potential interruption in energy and other supply chains resulting from military hostilities in Europe and the Middle East and the response of the United States and other countries to it by means of trade and economic sanctions, or other actions, may give rise to increases in costs of goods and services generally and may impact the market for our products as prospective customers reconsider additional capital expenditure, or other investment plans until the situation becomes clearer. On the other hand, the threat of increased cyber-attacks from multiple threat actors, including state-sponsored organizations may prompt enterprises to adopt additional security measures such as those offered by the Company.

For so long as the hostilities continue and perhaps even thereafter as the situation in Europe and the Middle East unfolds, we may see increased volatility in financial markets and a flight to safety by investors, which may impact our stock price and make it more difficult for the Company to raise additional capital at the time when it needs to do so, or for financing to be available upon acceptable terms. All or any of these risks separately, or in combination could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is deemed by our management to be material to investors.

Recent Accounting Policies

The recent material accounting policies that may be the most critical to understanding of the financial results and conditions are discussed in Note 1 of the unaudited financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company, we are not required to include disclosure under this item.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report, our Chief Executive Officer and Chief Financial Officer performed an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2024, the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in the report that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the nine months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is a party to various legal or administrative proceedings arising in the ordinary course of business. While any litigation contains an element of uncertainty, we have no reason to believe the outcome of such proceedings will have a material adverse effect on the financial condition or results of operations of the Company.

ITEM 1A. RISK FACTORS

Risk factors describing the major risks to our business can be found under Item 1A, "Risk Factors", in our Annual Report on Form 10-K for the year ended December 31, 2023. There has been no material change in our risk factors from those previously discussed in the Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the nine months ended September 30, 2024, the Company granted a total of 220,000 options to certain new employees at exercise prices ranging from \$6.29 to \$9.61 per share.

Mr. Mehta, a director of the Company, was granted an option to purchase 13,282 shares of common stock at an exercise price of \$7.78 per share. 12,500 of the shares vest annually in equal amounts over a three-year period commencing in 2025 and 782 shares vested monthly in equal amounts over a three-month period commencing March 2024. Mr. Mehta and the remaining non-employee directors were each granted options to purchase 15,627 shares of common stock at an exercise price of \$8.67 per share.

Each non-employee director received an option grant of 15,627 shares, on August 13, 2024, at an exercise price of \$8.67, which was equal to the closing price of the common stock on the NASDAQ Stock Market on that day.

The Company issued 5,724 shares of common stock in connection with the cashless exercise of stock options by employees.

The issuance of the above securities is exempt from the registration requirements under Rule 4(a)(2) of the Securities Act of 1933, as amended, and/or Rule 506 as promulgated under Regulation D.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable to our operations.

ITEM 5. OTHER INFORMATION

Compensation for Non-employee Directors.

In August 2024, the Board adopted a new policy on compensation for non-employee directors, which is summarized as follows

Each non-employee director will receive:

- Total annual compensation equal to \$125,000, payable in cash and equity.
- Annual cash compensation of \$8,000, or \$10,000 if they are a committee chair, payable quarterly in arrear.

- Annual equity compensation of \$117,000 by way of an option grant to purchase common stock. The number of shares which will be the subject of each grant shall be determined by reference to the Black Scholes value of the grant based on the closing price of the common stock, as reported by the NASDAQ Stock Market (or such other principal securities exchange or market system on which the common stock is then listed,) on the date of the Annual Meeting, at which the director is re-elected by the stockholders to serve on the Board. Each stock option shall be a non-qualified stock option with a term of 10 years and shall become fully vested on the first anniversary of the grant date, with equal monthly vesting over a 12 month period, provided that such non-employee director remains as a director of the Company during such 12 month period. Each such option shall have an exercise price equal to the closing price of the common stock, as reported by the NASDAQ Stock Market, on the grant date. The grant date may be deferred in accordance with the Company's Policy on Granting Equity Awards, if the Annual Meeting is held during a closed trading window.

In accordance with this new policy, each non-employee director received an option grant of 15,627 shares, on August 13, 2024, at an exercise price of \$8.67, which was equal to the closing price of the common stock on the NASDAQ Stock Market on that day.

Appointment of Mr. Soto.

On September 23, 2024, Mr. Erick Soto was hired as Chief Product Officer of the Company in consideration of an initial annual salary of \$325,000. Mr. Soto and the CEO will mutually agree as to the performance targets for Mr. Soto to earn an annual bonus of up to 20% of his annual base salary. Additionally, the Company agreed to provide Mr. Soto with a grant of options to purchase 100,000 shares of common stock, for a period of ten years, vesting monthly over 36 months, subject to continued service. The grant date has been deferred in accordance with the Company's Policy on Granting Equity Awards, until after the announcement of the Company's results for the period ended September 30, 2024.

The Company also entered an Executive Retention Agreement with Mr. Soto, pursuant to which the Company agreed to provide specified severance amounts and to accelerate the vesting on his equity awards upon termination upon a change of control or an involuntary termination, as each term is defined in the agreement. In the event of a termination upon a change of control or an involuntary termination, Mr. Soto is entitled to receive an amount equal to 12 months of his base salary. In the event of a termination upon a change of control the Company agreed to accelerate the vesting of his equity awards. Further upon termination upon a change of control or an involuntary termination, the exercise period of Mr. Soto's stock options shall be extended so as to expire the lesser of four years after the date of termination, or the expiration of the relevant options. The Company also entered a standard Director and Officer Indemnification Agreement with Mr. Soto.

ITEM 6. EXHIBITS

| Exhibit Number | Description |
|-----------------------|--|
| 3.1 (1) | Amended & Restated Certificate of Incorporation |
| 3.2 (14) | Amended & Restated Bylaws as of July 18, 2022 |
| 3.3 (2) | Certificate of Amendment dated June 1, 2021 |
| 3.4 (14) | Certificate of Amendment to Amended and Restated Certificate of Incorporation as of July 18, 2022 |
| 3.5 (15) | Certificate of Amendment to Amended and Restated Certificate of Incorporation as of September 21, 2022 |
| 3.6 (23) | Certificate of Amendment to the Amended and Restated Certificate of Incorporation dated June 26, 2023 |
| 3.7(31) | Certificate of Amendment to the Certificate of Incorporation |
| 4.1 (2) | Form of Stock Option |
| 4.2 (3) | Form of 8.0% Convertible Note |
| 4.3 (4) | Form of 15.0% Convertible Note |
| 4.4 (4) | Amended and Restated Promissory Note issued to The Theodore Stern Revocable Trust |
| 4.5 (5) | Paycheck Protection Program Term Note dated May 6, 2020 |
| 4.6 (6) | Paycheck Protection Program Term Note dated February 1, 2021 |
| 4.7 (18) | Description of the Registrant's Securities |
| 10.1 (2) | Form of Director Agreement |
| 10.2 (2) | Form of Indemnification Agreement |
| 10.5 (7) | 2017 Incentive Stock Plan |
| 10.7 (2) | Executive Retention Agreement entered between the Company and Thomas L. Thimot dated June 14, 2021 |
| 10.8 (2) | Executive Retention Agreement entered between the Company and Cecil N. Smith III dated June 14, 2021 |
| 10.9 (2) | Letter Agreement between the Company and Thomas L. Thimot dated June 14, 2021 |
| 10.10 (2) | Letter Agreement between the Company and Cecil N. Smith III dated June 14, 2021 |
| 10.11 (8) | Letter Agreement between the Company and Phillip L. Kumnick dated as November 5, 2021 |
| 10.12 (8) | Letter Agreement between the Company and Philip R. Broenniman dated as November 5, 2021 |
| 10.13 (9) | AuthID Inc. 2021 Equity Incentive Plan |
| 10.14 (11) | Letter Agreement between AuthID Inc. and Thomas Szoke dated November 19, 2021 |
| 10.15 (10) | Form of Securities Purchase Agreement entered into between the Company and the Note Investors dated March 21, 2022. |
| 10.16 (10) | Form of Senior Secured Convertible Note issued by the Company to the Note Investors dated March 21, 2022. |
| 10.17 (10) | Security and Pledge Agreement entered into between the Company and Stephen J. Garchik as Collateral Agent dated March 21, 2022. |
| 10.19 (10) | Form of Registration Rights Agreement entered into between the Company and the Note Investors dated March 21, 2022. |
| 10.20 (10) | Facility Agreement entered into between the Company and Stephen J. Garchik dated March 21, 2022. |
| 10.21 (10) | Form of Subscription Agreement entered into between the Company and the PIPE Investors dated March 21, 2022. |
| 10.22 (12) | Letter Agreement between Joseph Trelin and AuthID Inc. dated April 18, 2022 |
| 10.23 (13) | Letter Agreement between Annie Pham and AuthID Inc. dated April 25, 2022 |
| 10.24 (16) | Amended and Restated Facility Agreement between the Company and Stephen J. Garchik dated March 8, 2023. |
| 10.25 (16) | Promissory Note between the Company and Stephen J. Garchik dated March 9, 2023. |
| 10.26 (16) | Guaranty Agreement by FIN Holdings Inc., Innovation in Motion, Inc. and ID Solutions, Inc. in favor of Stephen J. Garchik dated March 9, 2023. |

| | |
|--------------|--|
| 10.27 (16) | Release Agreement between the Company and Stephen J. Garchik dated March 9, 2023. |
| 10.28 (17) | Letter Agreement between Rhoniel Daguro and AuthID Inc. dated March 23, 2023 |
| 10.29 (17) | Executive Retention Agreement between Rhoniel Daguro and AuthID Inc. dated March 23, 2023 |
| 10.30 (17) | Confidential Separation Agreement and General Release between Thomas Thimot and authID Inc. Dated March 23, 2023 |
| 10.31 (19) | Letter Agreement between Thomas Szoke and AuthID Inc. dated April 12, 2023 |
| 10.32 (19) | Executive Retention Agreement between Thomas Szoke and AuthID Inc. dated April 12, 2023 |
| 10.33 (21) | Executive Retention Agreement between Annie Pham and AuthID Inc. dated May 11, 2023 |
| 10.34 (22)** | Form of Securities Purchase Agreement dated as of May 23, 2023 between the Company and accredited investors |
| 10.35 (22) | Engagement Agreement dated as of April 20, 2023 between the Company and Madison Global Partners LLC |
| 10.36 (22) | Stock Purchase Warrant dated May 26, 2023 issued to Madison Global Partners LLC |
| 10.37 (22)** | Form of Exchange Agreement dated as of May 23, 2023 between the Company and certain Holders |
| 10.38 (24) | Letter Agreement between Edward Sellitto and authID Inc. dated July 31, 2023 |
| 10.39 (25) | Agreement dated October 25, 2023 between The Pipeline Group, Inc. and authID Inc. |
| 10.40 (27) | Form of Securities Purchase Agreement dated as of November 20, 2023 between the Company and accredited investor |
| 10.41 (27) | Engagement Agreement dated as of November 2, 2023 between the Company and Madison Global Partners, LLC |
| 10.42 (27) | Stock Purchase Warrant dated November 22, 2023 issued to Madison Global Partners, LLC |
| 10.42 (28)** | Agreement dated December 19, 2023 between The Pipeline Group, Inc and authID Inc. |
| 10.43* | Letter Agreement between Kunal Mehta and authID Inc. |
| 10.44(31)** | Form of Securities Purchase Agreement dated as of June 24, 2024 between the Company and accredited investors |
| 10.45(31) | Engagement Agreement, dated as of June 24, 2024 between the Company and Madison Global Partners, LLC |
| 10.46(31) | Stock Purchase Warrant issued to Madison Global Partners LLC |
| 10.47* | Letter Agreement between Erick Soto and authID Inc. dated September 10, 2024 |
| 10.48* | Executive Retention Agreement between Erick Soto and AuthID Inc. dated September 10, 2024 |
| 14.1 (26) | Code of Ethics |
| 21.1 (20) | List of Subsidiaries |
| 31.1* | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act |
| 31.2* | Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act |
| 32.1* | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 97.1 (26) | Policy for the Recovery of Erroneously Awarded Compensation adopted October 6, 2023 |
| 99.1 (30) | Policy on Granting Equity Awards |
| 101.INS* | Inline XBRL Instance Document |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

* Filed herewith

** Certain confidential portions of this exhibit were omitted by means of marking such portions with asterisks because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed. A copy of any omitted portions will be furnished to the SEC upon request.

(1) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on March 23, 2021.

- (2) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on June 15, 2021.
- (3) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on December 16, 2019.
- (4) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on February 18, 2020.
- (5) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on May 13, 2020.
- (6) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on May 6, 2021.
- (7) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on May 4, 2018.
- (8) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on November 8, 2021.
- (9) Incorporated by reference to the Form S-8 Registration Statement filed with the Securities Exchange Commission on February 1, 2022.
- (10) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on March 21, 2022.
- (11) Incorporated by reference to the Form 10-K Annual Report filed with the Securities Exchange Commission on March 22, 2022.
- (12) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on April 18, 2022.
- (13) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on April 27, 2022.
- (14) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on July 19, 2022.
- (15) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on September 21, 2022.
- (16) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on March 10, 2023.
- (17) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on March 28, 2023.
- (18) Incorporated by reference to the Form 10-K Annual Report filed with the Securities Exchange Commission on March 30, 2023.
- (19) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on April 18, 2023.
- (20) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on May 11, 2023.
- (21) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on May 16, 2023.
- (22) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on May 26, 2023.
- (23) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on June 27, 2023.
- (24) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on August 3, 2023.
- (25) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 26, 2023.
- (26) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on November 8, 2023.
- (27) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on November 27, 2023.
- (28) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on December 21, 2023.
- (29) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on March 26, 2024.
- (30) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on May 15, 2024.
- (31) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on June 27, 2024.

SIGNATURES

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

authID Inc.

By: /s/ Rhoniel Daguro
Rhoniel A. Daguro
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Ed Sellitto
Ed Sellitto
Chief Financial Officer,
(Principal Financial and Accounting Officer)

Dated: November 7, 2024



Rhoniel A. Daguro
Chief Executive Officer
rhondaguro@authid.ai

March 25, 2024

Kunal Mehta

Re: Appointment as Non-Executive Director

Dear Kunal:

I am pleased to be writing to you at the direction of the Board of Directors (“Board”) of authID Inc. (the “Company”) to confirm the terms of your appointment as a non-executive director. This letter shall take effect upon the passing of a Board Resolution formally approving your appointment.

The initial term of your directorship will extend until the first Annual Meeting of the Company’s Stockholders (“Annual Meeting”) following your appointment, when you will be eligible for re-election by the stockholders, if nominated by the Board or until your earlier resignation.

1. Role and duties

Non-executive directors have the same general legal responsibilities to the Company as any other director. The Board as a whole is collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs, with a particular focus on strategy, performance and risk. We would also expect you to be an ambassador for the Company and to promote its interests, when appropriate in your daily business activities.

You will be required to discharge the following specific functions and duties:

- (a) Attend quarterly Board meetings and special Board meetings at the Company’s head office, or such other place, or by conference call on dates to be notified to you in advance;
- (b) Attendance at Board and Committee meetings by conference call will be generally available, but it is anticipated that the Board will have two full “in person” meetings per year with all directors present;



- (c) Attend the Company's Annual Meetings and any special meetings of stockholders, which may be called from time to time;
- (d) Carry out such other functions and duties as may reasonably be required of you from time to time.

As a director of a Company, which is a reporting Company in accordance with Securities & Exchange Commission ("SEC") rules, you will be required to file reports of your interests in any securities of the Company and any acquisitions or disposals thereof, as well as various disclosures regarding your position in, agreements with and relations with the Company. The Company and our counsel will work with you to ensure all required reports and disclosures are filed in compliance with SEC rules.

We will need to establish a filing reference (or CIK) for you with the SEC, as a director a public reporting company and we will send you the applicable form in due course. Once that has been obtained our Edgar filing agent can make all necessary filings on your behalf, with your approval.

2. Time commitment

By accepting this appointment, you have confirmed that you are able to allocate sufficient time to meet the reasonable expectations of your role, including appropriate preparation time ahead of Board (and, if applicable, committee) meetings.

3. Conflicts

It is accepted and acknowledged that you have business interests other than those of the Company and have declared any current conflicts of interest. In the event that you become aware of any potential or actual conflicts of interest these should be disclosed to the Chairman and Corporate Secretary as soon as possible.

4. Compensation and Reimbursement of Expenses

In consideration for the performance of the duties outlined above, you will be entitled to compensation in accordance with the Company's Compensation Policy for Non-Employee Directors, from time to time in force, including awards under the Company's Equity Incentive Plans from time to time ("Plans"). At the present time this comprises equity and cash components, as follows:

- (a) an initial equity award of an option to purchase 12,500 shares of common stock ("Shares"), subject to annual vesting of one-third of the Shares over three years on the date of each Annual Meeting commencing with the 2025 Annual Meeting;



(b) an initial equity award of an option to purchase 782 Shares, subject to monthly vesting of one-third of the Shares over three months following the date of your appointment;

(c) commencing following the Company's 2024 Annual Meeting, assuming you are re-elected to office, an annual equity award in such amount as is determined by the Board to be the annual award for each non-employee director, subject to vesting over twelve months; and

(d) cash compensation of \$2,000 per quarter (or \$2,500 per quarter for committee chairs), payable quarterly in arrears.

All equity awards are issued subject to the terms of their respective grant and the terms and conditions of the Plans. As the Company is currently in a closed period for dealings in the Shares for insiders, the grant will be made and will be priced on the third trading day after the announcement of the Company's results for the first quarter of 2024.

This is a contract for services and not a contract of employment, and as an independent contractor you will be paid your fees on a gross basis. You will be responsible for payment of all applicable Federal, State and local taxes on compensation received and all compensation shall be subject to reporting by the Company on an annual basis on Form 1099, as required by law.

In addition to your fees, you are entitled to be reimbursed any reasonable expenses incurred in attending meetings of the Board or of any committee of the Board, or of stockholder meetings, or otherwise on the business of the Company. The Company may require written evidence of such expenses to be provided and in certain cases prior approval. All expenses are subject to the Company's expense policy.

5. Termination

You are entitled to resign your membership on the Board or on any committee of the Board at any time. In addition, you agree to resign your directorship in the circumstances set forth in Section 6 below. Written notice of any such resignation should be given to the Chairman of the Board.

This Agreement will automatically terminate, without requirement of notice, upon the date of your resignation from the Board (including any resignation pursuant to Section 6 below), if you are removed from office by a resolution of the stockholders in accordance with the Company's Bylaws and Delaware law, or if you are not re-nominated or re-elected to the Board, and you will not be entitled to any further compensation following the termination date in any of these events.

6. Immediate vacation of office

You agree to resign your office as a director on the Board and on each committee of the Board immediately in the event of any of the following circumstances:

(a) if you become prohibited by law from acting as a director;

- (b) if you are convicted of a felony or crime involving moral turpitude (excluding driving offences unless combined with other aggravating circumstances or offenses) or fraud;
- (c) if you engage in gross misconduct which is materially detrimental to the reputation or business of the Company; provided that you shall first be entitled to receive notice from the Board specifying such gross misconduct in reasonable detail, and shall have failed to cure or correct such gross misconduct within thirty (30) days of receiving such notice (unless such misconduct is of a nature that it is unable to be cured or corrected); or
- (d) if you willfully fail to comply in any material respect with the Company's Confidentiality Agreement, Insider Trading Policy, Code of Ethics, Sexual Harassment Prevention Policy or any other reasonable policies of the Company where non-compliance would be materially detrimental to the Company; provided that you shall first be entitled to receive notice from the Board specifying such non-compliance in reasonable detail, and shall have failed to cure or correct such gross misconduct within thirty (30) days of receiving such notice (unless such non-compliance is of a nature that it is unable to be cured or corrected). I will have our General Counsel provide you with all relevant policies.

7. Confidentiality

You acknowledge your duties of confidentiality and loyalty to the Company as a director of a Delaware corporation, and you agree to uphold such duties. In addition, you will be asked to execute a standard Confidentiality Agreement.

8. Indemnification & Insurance

You shall be entitled to indemnification by the Company with respect to your services as a director, to the fullest extent permitted by law and under the Company's Certificate of Incorporation and Bylaws. In addition, upon your appointment the Company will enter into a standard indemnification agreement with you.

You shall be covered under the Company's directors' and officers' insurance policy, for so long as you remain a member of the Board. The Company shall continue to provide coverage to you under such policy for not less than twenty-four (24) months following your termination date on substantially the same terms of the policy in effect immediately prior to the termination date.

9. Miscellaneous

This letter shall be governed by and construed in accordance with the law of the State of New York law and the courts, Federal and State, located in the State of New York shall have non-exclusive jurisdiction for all matters arising under it.



If this letter reflects the terms that we have agreed, please sign and return a copy of this letter to me.

Sincerely,

authID Inc.

/s/ Rhoniel A. Daguro

By: Rhoniel A. Daguro, CEO

I hereby agree to act as a non-executive director of authID Inc. upon the terms contained in the above letter.

/s/ Kunal Mehta

Kunal Mehta

Date: ___March 25, 2024_____

authID Inc. • 1580 N. Logan St., Suite 660 • Unit 51767 • Denver, CO 80203 • Tel +1 516 274 8700 • www.authid.ai



Rhoniel A. Daguro
Chief Executive Officer
rhondaguro@authid.ai

September 9, 2024

PRIVATE AND CONFIDENTIAL

Erick Soto

Re: Employment Offer

Dear Erick:

The management of authID Inc. (the “**Company**”) takes pleasure in extending you this offer of employment as Chief Product Officer reporting to the Chief Executive Officer of the Company (“**CEO**”). As part of your responsibilities, you will be required to provide services to other subsidiaries and affiliates of the Company (together with the Company, collectively referred to as the (“**Group**”).

Job Description

Your job responsibilities will include the following:

- **Product Strategy:** Build a vision for the future of authID that focuses on digital identity innovation and evangelize this vision with our customers, partners, employees, and analysts.
- **Product Development & Roadmap:**
 - Lead and hold the product and engineering teams accountable for delivering the multi-year roadmap that you will set for authID.
 - Develop operational, time-bound plans that align team members to deliverables to achieve all product milestones.
- **GTM Execution:** Develop and execute a go-to-market strategy & plan in collaboration with marketing, sales, sales enablement, partnerships, customer success/sales support, and product teams.
- **Cross-functional Collaboration:**
 - Partner with sales and marketing teams to shape the narrative, messaging, and positioning for authID’s existing and new product launches.
 - Work with marketing and partnerships teams to develop, curate, and present content to enable sellers and partners on new and existing products.
 - Collaborate with sales, channel sales, and partnerships to build solutions to drive incremental pipe and ACV.
- **Market & Competitive Intelligence:** Gather and leverage market analysis, competitive knowledge, and primary and secondary customer research to refine product strategy that includes build/buy/partner and ultimately EOS/EOL strategy and execution.
- **Customer Engagement:** Engage directly with customers as a trusted advisor, during pre-sales and post-sales implementations to ensure authID products will help them reach their desired business outcomes.



- **Team Management & Development:** Build and lead a high-performing product and engineering team and leaders, promoting a culture of continuous improvement; and
- **General:** Undertake such other responsibilities and tasks as are reasonably assigned to you from time to time by the CEO.

Compensation

Your compensation package shall consist of the following:

- (a) Initial base salary of \$325,000 per annum, which will be payable semi-monthly in arrears, and subject to all applicable deductions required by law. Your salary will be reviewed by the Company from time to time and may thereafter be increased.
- (b) You will also be eligible for an annual target bonus equal to twenty percent (20%) of your base salary (pro-rated for 2024 based on length of employment), based on achievement of performance milestones and targets to be mutually agreed between you and the CEO, within 30 days of commencement of your employment.
- (c) At the outset of your employment, you will be provided with an initial grant of options to purchase 100,000 shares of Common Stock of \$0.0001 par value in the Company (“**Common Stock**”), vesting monthly over the period of 3 years following the commencement of your employment. The grant is subject to approval by the Compensation Committee of the Board of Directors of the Company (the “**Committee**”). The exercise price of the options shall be equal to the closing price of the Common Stock on the Nasdaq Stock Market on the date of grant, the Exercise Period shall be 10 years and the other terms of the options shall be as set forth in the option grant.
- (d) You may be eligible for discretionary equity incentive grants and cash bonus awards, subject to your continued employment and satisfactory job performance, which may be made from time to time, by the Compensation Committee of the Board of Directors of the Company. Terms and conditions of all your equity incentive grants, will be as determined by the Committee and in accordance with the terms of the Company’s equity incentive plan in effect at the time of each such grant.
- (e) An Executive Retention Agreement in the form attached hereto as Exhibit “B”.
- (f) All payments of compensation made under this Agreement shall be subject to deduction of all federal, state, local and other taxes required to be withheld by applicable law.

With respect to additional terms of your employment, the following will apply:

1. **At Will Employment; Probationary Period.** Your employment will start on September 23, 2024, or such other date as we shall agree. There will be an initial three (3) month probationary period for initial assessment of your performance and suitability for the role. While we look forward to a long and mutually beneficial relationship, your employment will be “at-will” and may be terminated at any time upon written notice and without prior warning both during and after the probationary period. Further, your participation in any stock option or benefit program are not to be regarded as assuring you of continuing employment for any particular period of time. Any modification or change in your “at-will” employment status may only occur by way of a written employment agreement signed by you and authorized by the Chief Executive Officer (“CEO”).



2. **Location and Travel.** You will work remotely at home. As part of your duties you will be required to travel as necessary to perform your duties and responsibilities, including visiting Group's Head Office and other offices in the locations where they may exist from time to time and attending Group personnel and team meetings from time to time.
3. **Working Hours.** You will be expected to devote your full time and attention to your employment, to the extent necessary to carry out your duties hereunder. Because of the nature of your position, and as an exempt employee you will be required to work outside of usual working hours, where the circumstances and business needs require it. You shall not engage or be involved in any other business activity without the approval of the CEO.
4. **Paid Time Off.** You will be entitled to Paid Time Off in accordance with the provisions of the Company's Employee Handbook, which has an unlimited reasonable PTO policy, in addition to all public holidays when the office is closed. Vacation may be taken upon reasonable prior notice to the CEO. The Company's Employee Handbook contains further provisions relating to your entitlement and the taking of Paid Time Off.
5. **Sick & Personal Days.** Paid Time Off may be used for sick or personal days. The Company's Employee Handbook contains further provisions relating to the taking of sick or personal days.
6. **Benefits.** You will be eligible to participate in all employee benefit plans established by the Company for its employees from time to time. The Company currently offers the benefits that are detailed in the Employee Handbook.
7. **Expense Reimbursement.** In accordance with Company policies from time to time, we will reimburse you for all reasonable and proper travel and business expenses incurred by you in the performance of your duties.
8. **Confidentiality and Assignment of Inventions.** As an employee and executive of the Company, you will have access to certain confidential information of the Company and you may, during the course of your employment, develop certain information or inventions that will be the property of the Company. To protect the interests of the Company, you will need to sign the Company's standard "Employee Invention Assignment and Confidentiality Agreement" in the form attached hereto as Exhibit A as a condition of your employment.
9. **Covenant Not to Compete.** During the term of this Agreement and, with respect to paragraphs 9(b) and (c) only, for the period of six (6) months after the termination of your employment by any member of the Group for any reason whatsoever, you shall not directly or indirectly:
 - (a) be employed, or engaged as an independent contractor, consultant, or in any position where your responsibilities would require you to directly or indirectly support/work on services and/or products that are in competition with the Group's businesses as they exist during your employment -- the Group's businesses currently consist of its biometric identity verification and authentication products and services;

- (b) whether as an employee, independent contractor, consultant, advisor, or principal, enter into any agreement which is for the provision of services in competition with any of the Group's businesses, as they exist during your employment or on the date of your separation from the Company, with any entity, which is or was a customer of the Group (or was in negotiation to become a customer of the Group), as of or at any time within six (6) months prior to your separation date, nor cause any such customer to enter into any such agreement for competitive services with any third party.
- (c) whether on your own behalf or on behalf of any other person or entity (i) directly or indirectly solicit any employee of the Group to discontinue such employment relationship with the Group; or (ii) employ or seek to employ any person who is or was employed by the Group as of or at any time within six (6) months prior to your separation date.

You acknowledge that the restrictions set forth in this paragraph are reasonable and necessary for the protection of the Group's legitimate interests, in particular having regard to the sensitive position which you will hold and the high level of confidential and proprietary information regarding the Group's business operations, systems and customers to which you will have access, during the performance of your duties hereunder.

10. **Pre-existing obligations.** You hereby warrant and represent that you are not subject to any restrictive covenant, or other agreement, which would prevent you from accepting this offer or from performing your obligations hereunder. To the extent that you are subject to confidentiality obligations to a former employer or any third party, you acknowledge and agree that it is your responsibility to ensure that you comply with such obligations on a continuing basis. You acknowledge that the Company is relying upon your warranty, representation and acknowledgement in this paragraph in making this offer to you. In the event of any claim against you or the Group by any third party arising out of a breach of this paragraph, you agree to indemnify and hold the Group (and its directors, officers and employees) harmless from and against all costs, claims and damages arising from such third party's claim.
11. **Governing Law & Jurisdiction.** This offer and your employment shall be governed by and construed in accordance with the laws of the State of Florida. You and the Company agree to submit to the exclusive personal jurisdiction of the federal and state courts located in the State of Florida, in connection with any dispute or proceedings arising out of or relating to this offer and your employment, and each of us hereby submits to the exclusive jurisdiction of such courts.
12. **Amendment.** No amendment or waiver of any of the provisions hereof shall be effective, unless in writing and signed by each party.
13. **Other Documents & Training.** Your employment is subject to the Employment Handbook and terms and conditions (including benefits) applicable generally to employees of the Group, from time to time in force, which are subject to change, amendment, or deletion in the Company's sole discretion. As a condition of your employment you will also be required to enter into certain standard undertakings and consents regarding security, confidentiality and use of the Group's facilities and property. As part of our objective of continuous improvement and in order to comply with certain customer and audit requirements, you will also be required to undergo training at least annually on various matters including data security. During the first ninety days of your employment, you will also be required to take and pass the "authID University" training program and certification, providing you with the basic information regarding the Company and its products etc., that you'll need to enable you to be successful. In accordance with our standard policy this employment offer is subject to our receiving satisfactory references and civil and criminal background checks, and by signing this letter you hereby consent to our undertaking such reference and background checks.



14. **Authorization to Work.** Please note that because of employer regulations adopted in the Immigration Reform and Control Act of 1986, within three (3) business days of starting your new position you will need to present documentation demonstrating that you have authorization to work in the United States.
15. **Severability.** If any provision of this letter or the application thereof is held invalid by a court, arbitrator or government agency of competent jurisdiction, you agree that such a determination of invalidity shall not affect other provisions or applications of the letter which can be given effect without the invalid provisions and thus shall remain in full force and effect or application.

If the terms and the conditions of this letter are acceptable to you, please sign, date and return a copy of this letter to us.

We look forward to a long and mutually beneficial relationship.

Sincerely,

AUTHID INC.

By: /s/ Rhoniel A. Daguro
Rhoniel A. Daguro, CEO

AGREED & ACCEPTED:

/s/ Erick Soto
ERICK SOTO

Dated: September 10, 2024

EXHIBIT A

EMPLOYEE INVENTION ASSIGNMENT AND CONFIDENTIALITY AGREEMENT

THIS EMPLOYEE INVENTION ASSIGNMENT AND CONFIDENTIALITY AGREEMENT is entered into as of the date of signature below, between I the undersigned ERICK SOTO with an address at _____ and authID INC., a Delaware corporation with a place of business at 1580 N. Logan St., Suite 660, Unit 51767, Denver, CO 80203, (the “Company”).

WHEREAS, I have agreed to be an employee of the Company or one of its affiliated entities (collectively referred to herein as the “Company”).

IN CONSIDERATION OF, and as a condition of my employment with the Company (the receipt and sufficiency of which I hereby acknowledge) I hereby represent to, and agree with the Company as follows:

1. Purpose of Agreement. I understand that it is critical for the Company to preserve and protect its rights in “*Inventions*” (as defined in Section 2 below), its “*Confidential Information*” (as defined in Section 7 below) and in all related intellectual property rights. Accordingly, I am entering into this Employee Invention Assignment and Confidentiality Agreement (this “*Agreement*”) as a condition of my employment with the Company.

2. Disclosure of Inventions. I will promptly disclose in confidence to the Company all inventions, improvements, designs, original works of authorship, formulas, processes, compositions of matter, computer software programs, databases, mask works and trade secrets (the “*Inventions*”) that I make or conceive or first reduce to practice or create, either alone or jointly with others, during the period of my employment, whether or not in the course of my employment, and whether or not such Inventions are patentable, copyrightable or protectable as trade secrets.

3. Work for Hire. I acknowledge and agree that any copyrightable works prepared by me within the scope of my employment, including for the avoidance of doubt any such works prepared prior to the date hereof are “works made for hire” under the Copyright Law of the United States and that the Company will be considered the author and owner of such copyrightable works.

4. Assignment of Inventions. I agree that all Inventions that (i) have been or are developed using equipment, supplies, facilities, Confidential Information, or trade secrets of the Company, (ii) result from work performed by me for the Company, or (iii) relate to the Company’s business or current or anticipated research and development (the “*Assigned Inventions*”), will be the sole and exclusive property of the Company and are hereby irrevocably assigned by me to the Company.

5. Assignment of Other Rights; Moral Rights. In addition to the foregoing assignment of Assigned Inventions to the Company, I hereby irrevocably transfer and assign to the Company: (i) all worldwide patents, patent applications, copyrights, mask works, trade secrets and other intellectual property rights, including but not limited to rights in databases, in any Assigned Inventions, along with any registrations of or applications to register such rights; and (ii) any and all “Moral Rights” (as defined below) that I may have in or with respect to any Assigned Inventions. I also hereby forever waive and agree never to assert any and all Moral Rights I may have in or with respect to any Assigned Inventions, even after termination of my work on behalf of the Company. “*Moral Rights*” mean any rights to claim authorship of or credit on an Assigned Invention, to object to or prevent the modification or destruction of any Assigned Inventions, or to withdraw from circulation or control the publication or distribution of any Assigned Inventions, and any similar right, existing under judicial or statutory law of any country or subdivision thereof in the world, or under any treaty, regardless of whether or not such right is denominated or generally referred to as a “moral right.”

6. Assistance. I agree to assist the Company in every proper way, at the Company's cost, to obtain for the Company and enforce patents, copyrights, mask work rights, trade secret rights and other legal protections for the Company's Assigned Inventions in any and all countries. I will execute any documents that the Company may reasonably request for use in obtaining or enforcing such patents, copyrights, mask work rights, trade secrets and other legal protections. My obligations under this paragraph will continue beyond the termination of my employment with the Company, provided that the Company will compensate me at a reasonable rate after such termination for time or expenses actually spent by me at the Company's request on such assistance. I appoint the Secretary of the Company as my attorney-in-fact to execute documents on my behalf for this purpose.

7. Confidential Information. I understand that my employment by the Company creates a relationship of confidence and trust with respect to any information that may be disclosed to me by the Company and its officers, employees, shareholders or agents, whether orally, in writing, by computer or other medium, by demonstration, by supply of samples and parts or in any other manner, or which is otherwise accessible to me, that relates to the business of the Company or to the business of any parent, subsidiary, affiliate, customer or supplier of the Company including all information received by the Company from third parties, which is subject to an obligation of confidentiality (the "**Confidential Information**"). Such Confidential Information includes, but is not limited to, Assigned Inventions, computer programming and software, Company products and services, systems, functionality, designs, hardware, parts, concepts, specifications, features, techniques, plans, marketing, sales, performance, cost, pricing, supplier and customer information, data, tables, schedules, contracts and other information concerning the Company and its customers. I hereby acknowledge that all such Confidential Information belongs to the Company (or the respective customer, supplier or third party, which supplied it to the Company).

8. Confidentiality. At all times, both during my employment and after its termination (without limitation in point of time), I will keep and hold all such Confidential Information in strict confidence and trust. I will not use or disclose any Confidential Information without the prior written consent of the Company, except as may be necessary to perform my duties as an employee of the Company for the benefit of the Company and except as set forth in Section 10 below. Upon termination of my employment with the Company, I will promptly deliver to the Company all documents and materials of any nature pertaining to my work with the Company. I will not take with me or retain any documents or materials or copies thereof containing any Confidential Information and except as set forth in Section 10 below. I agree that I shall at all times comply with the Company's Information Security Policy and Procedures from time to time in force. **I acknowledge that breach of this policy or any other provision of this Agreement may be grounds for immediate dismissal.**

9. No Breach of Agreement or Infringement. I represent that my acceptance of the Company's offer of employment, performance of all the terms of this Agreement and my duties as an employee of the Company will not so far as I am aware breach any invention assignment, proprietary information, confidentiality or similar agreement with any other party, nor infringe the rights of any third party. I represent that I will not bring with me to the Company or use in the performance of my duties for the Company any documents or materials or intangibles of a former employer or third party that are not generally available to the public or have not been legally transferred to the Company. I acknowledge that the Company is relying upon my warranty, representation and acknowledgement in this paragraph in offering me employment.

10. Reservation of Rights.

(a) Nothing in this Agreement prohibits me from: (i) making truthful statements or disclosing confidential information as may be required by applicable law or regulation, or pursuant to the valid order of a court or competent jurisdiction or an authorized government agency, (ii) cooperating with or participating in any investigation by a governmental agency, (iii) reporting possible violations of federal or state law or regulation to or filing a charge with any governmental agency or entity (including, but not limited to, the Department of Justice, the Securities and Exchange Commission, the National Labor Relations Board, the Equal Employment Opportunity Commission, Members of Congress, and any agency Inspector General), or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation, and the prior authorization or notification of the Company is not needed to make any such reports or disclosures,

(b) I acknowledge that I am hereby notified that federal law provides certain protections to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances. See 18 U.S.C. § 1833(b)(1). I have also been notified that federal law provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, subject to certain limitations. See 18 U.S.C. § 1833(b)(2). Nothing in this Agreement is intended in any way to limit such statutory rights.

11. Notification. I hereby authorize the Company to notify my actual or future employers of the terms of this Agreement and my responsibilities hereunder.

12. Injunctive Relief. I understand that in the event of a breach or threatened breach of this Agreement by me the Company may suffer irreparable harm and will therefore be entitled to injunctive relief to enforce this Agreement.

13. Governing Law; Jurisdiction. This Agreement will be governed by and construed in accordance with the laws of the State of Florida, without giving effect to that body of laws pertaining to conflict of laws. I hereby submit to the jurisdiction of and consent to suit in the courts, Federal and State located in the State of Florida with respect to any matter or dispute arising out of this Agreement.

14. Severability. If any provision of this Agreement is determined by any court or arbitrator of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such provision will be enforced to the maximum extent possible given the intent of the parties hereto. If such clause or provision cannot be so enforced, such provision shall be stricken from this Agreement and the remainder of this Agreement shall be enforced as if such invalid, illegal or unenforceable clause or provision had (to the extent not enforceable) never been contained in this Agreement.

15. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, and all of which together shall constitute one and the same agreement.

16. Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement and understanding of the parties with respect to the subject matter of this Agreement, and supersede all prior understandings and agreements, whether oral or written, between or among the parties hereto with respect to the specific subject matter hereof.

17. Amendment and Waivers. This Agreement may be amended only by a written agreement executed by each of the parties hereto. No amendment of or waiver of, or modification of any obligation under this Agreement will be enforceable unless set forth in a writing signed by the party against which enforcement is sought. Any amendment effected in accordance with this section will be binding upon all parties hereto and each of their respective successors and assigns. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance. No waiver granted under this Agreement as to any one provision herein shall constitute a subsequent waiver of such provision or of any other provision herein, nor shall it constitute the waiver of any performance other than the actual performance specifically waived.

18. Successors and Assigns; Assignment. Except as otherwise provided in this Agreement, this Agreement, and the rights and obligations of the parties hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators and legal representatives. The Company may assign any of its rights and obligations under this Agreement to any entity which is my employer. No other party to this Agreement may assign, whether voluntarily or by operation of law, any of its rights and obligations under this Agreement, except with the prior written consent of the Company.

19. Further Assurances. The parties agree to execute such further documents and instruments and to take such further actions as may be reasonably necessary to carry out the purposes and intent of this Agreement.

SIGNED AS OF THIS October 10, 2024

/s/ Erick Soto

ERICK SOTO

EXHIBIT B

EXECUTIVE RETENTION AGREEMENT

This Executive Retention Agreement (the “*Agreement*”) is made and entered into as of _____ by and between AUTHID INC., a Delaware corporation (the “*Company*”), and ERICK SOTO (the “*Executive*”).

WHEREAS, the Executive is being hired as a key employee of the Company and the Company and the Executive desire to enter into this Agreement to encourage the Executive to devote the Executive’s full attention and dedication to the success of the Company, and to provide specified compensation and benefits to the Executive in the event of a Termination Upon Change of Control, or certain other terminations pursuant to the terms of this Agreement.

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. PURPOSE AND TERM

The purpose of this Agreement is to provide specified compensation and benefits to the Executive in the event of (i) a Termination Upon Change of Control or (ii) an Involuntary Termination. Subject to the terms of any applicable written employment agreement between Company and the Executive (as to which Executive acknowledges no other such agreement exists as of the date hereof beyond the Employment Offer Letter dated as of the date hereof), either the Executive or Company may terminate the Executive’s employment at any time for any reason, with or without notice. The term of this Agreement shall be the period from the date set forth above until Executive’s employment is terminated for any reason, or this Agreement is terminated by mutual agreement of the parties.

2. TERMINATION UPON CHANGE OF CONTROL

2.1 Severance Payment. In the event of the Executive’s Termination Upon Change of Control, the Executive shall be entitled to receive an amount equal to twelve (12) months of the Executive’s Base Salary which shall be paid in a lump sum payment within thirty (30) days following the Termination Date; provided, however, that if Section 409A of the Code would otherwise apply to such cash severance payment, it instead shall be paid at such time as permitted by Section 409A of the Code. The severance payment payable hereunder shall be reduced to the extent of the amount of any bonus payable to Executive upon a Change of Control.

2.2 Equity Compensation Acceleration. Upon the Executive’s Termination Upon Change of Control, the vesting and exercisability of all then outstanding stock options and shares of restricted stock (or any other equity award, including, without limitation, stock appreciation rights and restricted stock units) granted to the Executive under any Company Plans (Collectively “*Equity Awards*”) shall be accelerated as to 100% of the shares subject to any such Equity Awards granted to the Executive.

2.3 Equity Compensation Exercise. Upon the Executive’s Termination Upon Change of Control, the Exercise Period with respect to vested Shares, under the Company Plans for the purposes of the Executive’s stock options granted under the Company Plans shall be extended so as to expire four (4) years from the date of Termination Upon Change of Control, or at the end of the remaining term of the relevant Equity Award, whichever is the lesser. All other unvested Shares under any such option grants or other Equity Awards not subject to acceleration under Section 2.3 shall lapse and no longer be exercisable as of the date of Termination Upon Change of Control.

2.4 Indemnification. In the event of the Executive’s Termination Upon Change of Control, (a) the Company shall continue to indemnify the Executive against all claims related to actions arising prior to the termination of the Executive’s employment to the fullest extent permitted by law, and (b) if the Executive was covered by the Company’s directors’ and officers’ insurance policy, or an equivalent thereto, (the “*D&O Insurance Policy*”) immediately prior to the Change of Control, the Company or its Successor shall continue to provide coverage under a D&O Insurance Policy for not less than twenty-four (24) months following the Executive’s Termination Upon Change of Control on substantially the same terms of the D&O Insurance Policy in effect immediately prior to the Change of Control.

3. INVOLUNTARY TERMINATION

3.1 Severance Payment. In the event of the Executive's Involuntary Termination, the Executive shall be entitled to receive an amount equal to twelve (12) months of the Executive's Base Salary, which shall be paid according to the following schedule: (i) a lump sum payment equal to one-fourth of such amount shall be payable within ten (10) days following the Termination Date, and (ii) one-fourth of such amount shall be payable within ten (10) days of each of the three-month, six-month and nine-month anniversaries of the Termination Date (and in each case no interest shall accrue on such amount); provided, however, that if Section 409A of the Code would otherwise apply to such cash severance payment, it instead shall be paid at such time as permitted by Section 409A of the Code.

3.2 Equity Compensation Exercise. Upon the Executive's Involuntary Termination, the Exercise Period with respect to vested Shares, under the Company Plans for the purposes of the Executive's stock options granted under the Company Plans shall be extended so as to expire four (4) years from the date of Involuntary Termination, or at the end of the remaining term of the relevant Equity Award, whichever is the lesser. All other unvested Shares under any such option grants, or other Equity Awards shall lapse and no longer be exercisable as of the date of Involuntary Termination.

3.3 Indemnification. In the event of the Executive's Involuntary Termination, (a) the Company shall continue to indemnify the Executive against all claims related to actions arising prior to the Termination Date to the fullest extent permitted by law, and (b) if the Executive was covered by the D&O Insurance Policy immediately prior to the Termination Date, the Company shall continue to provide coverage under a D&O Insurance Policy for not less than twenty-four (24) months following the Executive's Involuntary Termination on substantially the same terms of the D&O Insurance Policy in effect immediately prior to the Termination Date.

4. FEDERAL EXCISE TAX UNDER SECTION 280G

4.1 Excise Tax. If (a) any amounts payable to the Executive under this Agreement or otherwise are characterized as excess parachute payments pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (b) the Executive thereby would be subject to any United States federal excise tax due to that characterization, then such amounts will either be (i) delivered in full, or (ii) delivered to such lesser extent which would result in no portion of such amounts being subject to excise tax pursuant to Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Code Section 4999, results in Executive's receipt on an after-tax basis, of the greatest amounts, notwithstanding that all or some portion of such amounts may be taxable under Code Section 4999. If a reduction in the amounts constituting "parachute payments" is necessary so that no portion of such amounts are subject to the excise tax under Code Section 4999, the reduction will occur in the following order: (i) reduction of the cash severance payments, which will occur in reverse chronological order such that the cash payment owed on the latest date following the occurrence of the event triggering such excise tax will be the first cash payment to be reduced; (ii) cancellation of accelerated vesting of Equity Awards which will occur in the reverse order of the date of grant for such stock awards (i.e., the vesting of the most recently granted stock awards will be reduced first); and (iii) reduction of continued employee benefits, which will occur in reverse chronological order such that the benefit owed on the latest date following the occurrence of the event triggering such excise tax will be the first benefit to be reduced. If two or more Equity Awards are granted on the same date, each Equity Award will be reduced on a pro-rata basis. Notwithstanding the foregoing, no such reduction or elimination shall apply to any non-qualified deferred compensation amounts (within the meaning of Section 409A of the Code) to the extent such reduction or elimination would accelerate or defer the timing of such payment in a manner that does not comply with Section 409A of the Code.

4.2 Calculation by Independent Public Accountants. Unless the Company and the Executive otherwise agree in writing, any calculation of the amount of any excess parachute payments payable by the Executive shall be made in writing by the Company's independent public accountants (the "**Accountants**") whose conclusion shall be final and binding on the parties. For purposes of making such calculations, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make the required calculations. The Company shall bear all fees and expenses the Accountants may charge in connection with these services, but the engagement of the Accountants for this purpose shall be pursuant to an agreement between the Executive and the Accountants.

5. DEFINITIONS

5.1 Capitalized Terms Defined. Capitalized terms used in this Agreement shall have the meanings set forth in this Section 4, unless the context clearly requires a different meaning.

5.2 "**Base Salary**" means the greater of (a) if applicable, the monthly salary of the Executive in effect immediately prior to the Change of Control, or (b) the monthly salary of the Executive in effect immediately prior to the Termination Date.

5.3 "**Cause**" means:

- (a) the Executive willfully failed to follow the lawful written directions of the Board of Directors of the Company (the "**Board**") or Executive's immediate superior; provided that no termination for such Cause shall occur unless the Executive: (i) has been provided with notice, specifying such willful failure in reasonable detail, of the Company's intention to terminate the Executive for Cause; and (ii) has failed to cure or correct such willful failure within thirty (30) days of receiving such notice;
- (b) the Executive engaged in gross misconduct, or gross incompetence which is materially detrimental to the Company; provided that no termination for such Cause shall occur unless the Executive: (i) has been provided with notice, specifying such gross misconduct or gross incompetence in reasonable detail, of the Company's intention to terminate the Executive for Cause; and (ii) has failed to cure or correct such gross misconduct within thirty (30) days of receiving such notice, provided that such notice and cure period requirements shall not apply in the event that such misconduct, or incompetence is of a nature that it is unable to be remedied;
- (c) the Executive willfully failed to comply in a material respect with the Employee Invention Assignment & Confidentiality Agreement, the Company's Code of Ethics and share dealing code, the Executive's non-competition agreement, or any other reasonable policies of the Company where non-compliance would be materially detrimental to the Company; provided that no termination for such Cause shall occur unless the Executive: (i) has been provided with notice of the Company's intention to terminate the Executive for such Cause, and (ii) has failed to cure or correct such willful failure within thirty (30) days of receiving such notice, provided that such notice and cure period requirements shall not apply in the event that such non-compliance is of a nature that it is unable to be remedied; or

- (d) The Executive is convicted of a felony or intentional crime of moral turpitude (excluding drunk driving unless combined with other aggravating circumstances or offenses) or commission of a fraud that the Company reasonably believes would have a material adverse effect on the Company.

5.4 “**Change of Control**” means:

- (a) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)) becomes the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing fifty (50%) percent or more of (i) the outstanding shares of common stock of the Company, or (ii) the combined voting power of the Company’s outstanding securities;
- (b) the Company is party to a merger or consolidation, or series of related transactions, which results in the voting securities of the Company outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), directly or indirectly, at least fifty (50%) percent of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;
- (c) the sale or disposition of all or substantially all of the Company’s assets, or consummation of any transaction, or series of related transactions, having similar effect (other than to a subsidiary of the Company);
- (d) a change in the composition of the Board within any consecutive two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. “Incumbent Directors” shall mean directors who either (i) were directors of the Company as of the effective date of this Agreement, or (ii) are elected, or nominated for election, to the Board with the affirmative votes of a least a majority of those directors whose election or nomination was not in connection with an actual or threatened proxy contest related to the election of directors to the Company; or
- (e) the dissolution or liquidation of the Company.

5.5 “**Company**” shall mean AUTHID INC. and, following a Change of Control, any Successor.

5.6 “**Company Plans**” shall mean the Company’s 2024 Equity Incentive Plan and any employee equity plan that replaces or supplements such plan, as well as any grant of stock options, restricted stock, stock appreciation rights, stock award, or stock purchase offer, which may be made to Executive outside of any such plan.

5.7 “**Involuntary Termination**” means:

- (a) any termination without Cause of the employment of the Executive by the Company; or
- (b) any resignation by Executive for Good Reason where such resignation occurs within one hundred twenty (120) days following the occurrence of such Good Reason.

Notwithstanding the foregoing, the term “Involuntary Termination” shall not include any termination of the employment of the Executive: (1) by the Company for Cause; (2) by the Company as a result of the Permanent Disability of the Executive; (3) as a result of the death of the Executive; (4) as a result of the voluntary termination of employment by the Executive for any reason other than Good Reason, or (5) that would qualify as a Termination Upon Change of Control hereunder.

5.8 “**Good Reason**” means the occurrence of any of the following conditions, without the Executive’s written consent:

- (a) Any act, set of facts or omissions with respect to the Executive that would, as a matter of applicable law, constitute a constructive termination of the Executive.
- (b) The assignment to the Executive of a title, position, responsibilities or duties that is not a “Substantive Functional Equivalent” to the title, position, responsibilities or duties which the Executive had immediately prior to such assignment (including, as relevant, immediately prior to the public announcement of the Change of Control).
- (c) A material reduction in the Executive’s Base Salary or, if applicable, target bonus opportunity (subject to applicable performance requirements with respect to the actual amount of bonus compensation earned similar to the applicable performance requirements currently in effect), and in the event of a Change of Control, as compared to Executive’s Base Salary and target bonus opportunity in effect immediately prior to the public announcement of the Change of Control; provided, however, that this clause (c) shall not apply in the event of a reduction in the Executive’s Base Salary or, if applicable, target bonus opportunity as part of a Company-wide or executive team-wide cost-cutting measure or Company-wide or executive team-wide cutback as a result of overall Company performance.
- (d) The failure of the Company (i) to continue to provide the Executive an opportunity to participate in any benefit or compensation plans provided to employees who hold positions with the Company comparable to the Executive’s position, (ii) to provide the Executive all other fringe benefits (or the equivalent) in effect for the benefit of any employee group which includes any employee who hold a position with the Company comparable to the Executive’s position, where in the event of a Change of Control, such comparison shall be made relative to the time immediately prior to the public announcement of such Change of Control); or (iii) continue to provide director’s and officers’ insurance.
- (e) A material breach of this Agreement by the Company, including, in the event of a Change of Control, failure of the Company to obtain the consent of a Successor to perform all of the obligations of the Company under this Agreement.

The Executive must first give the Company an opportunity to cure any of the foregoing within thirty (30) days following delivery to the Company of a written explanation specifying the specific basis for Executive’s belief that Executive is entitled to terminate employment for Good Reason, and Executive terminates employment with the Company not later than (30) days following the Company’s failure to cure.

5.9 “**Permanent Disability**” means that:

- (a) the Executive has been incapacitated by bodily injury, illness or disease so as to be prevented thereby from engaging in the performance of the Executive’s duties;
- (b) such total incapacity shall have continued for a period of six consecutive months; and
- (c) such incapacity will, in the opinion of a qualified physician, be permanent and continuous during the remainder of the Executive’s life.

5.10 “**Substantive Functional Equivalent**” means that the Executive’s position must:

- (a) be in a substantive area of the Executive’s competence (e.g., finance or executive management) and not materially different from the position occupied immediately prior;
- (b) allow the Executive to serve in a role and perform duties functionally equivalent to those performed immediately prior; and
- (c) not otherwise constitute a material, adverse change in authority, title, status, responsibilities or duties from those of the Executive immediately prior, causing the Executive to be of materially lesser rank or responsibility, including requiring the Executive to report to a person other than the Board.

5.11 “**Successor**” means any successor in interest to, or assignee of, substantially all of the business and assets of the Company.

5.12 “**Termination Date**” means the date of the termination of the Executive’s employment with the Company.

5.13 “**Termination Upon Change of Control**” means:

- (a) any termination of the employment of the Executive by the Company without Cause during the period commencing on or after the date that the Company first publicly announces a definitive agreement that results in a Change of Control (even though still subject to approval by the Company’s stockholders and other conditions and contingencies, but provided that the Change of Control actually occurs) and ending on the date which is twelve (12) months following the Change of Control; or
- (b) any resignation by Executive for Good Reason where (i) such Good Reason occurs during the period commencing on or after the date that the Company first publicly announces a definitive agreement that results in a Change of Control (even though still subject to approval by the Company’s stockholders and other conditions and contingencies, but provided that the Change of Control actually occurs) and ending on the date which is twelve (12) months following the Change of Control, and (ii) such resignation occurs at or after such Change in Control and in any event within twelve (12) months following the expiration of any Company cure period.

Notwithstanding the foregoing, the term “Termination Upon Change of Control” shall not include any termination of the employment of the Executive: (1) by the Company for Cause; (2) by the Company as a result of the Permanent Disability of the Executive; (3) as a result of the death of the Executive; or (4) as a result of the voluntary termination of employment by the Executive for any reason other than Good Reason.

6. EXCLUSIVE REMEDY

6.1 No Other Benefits Payable. The Executive shall be entitled to no other termination, severance or change of control compensation, benefits, or other payments from the Company as a result of any termination with respect to which the payments and benefits described in Sections 2 or 3 have been provided to the Executive, except as expressly set forth in this Agreement.

6.2 No Limitation of Regular Benefit Plans. Except as may be provided elsewhere in this Agreement, this Agreement is not intended to and shall not affect, limit or terminate any plans, programs or arrangements of the Company that are regularly made available to a significant number of employees or officers of the Company, including, without limitation, the Company's stock option plans.

6.3 Release of Claims. The payment and application of the benefits described in Sections 2 and 3 of this Agreement is conditioned upon the delivery by the Executive to the Company of a signed and effective general release of claims as provided by the Company substantially in the form attached hereto as Exhibit 1; provided, however, that the Executive shall not be required to release any rights the Executive may have to any payments and benefits under this Agreement, to be indemnified by the Company or as otherwise provided under this Agreement, or any rights to or under any Shares or Equity Awards then-owned by Executive at the time.

6.4 Non-cumulation of Benefits. The Executive may not cumulate cash severance payments, stock option vesting and exercisability and restricted stock vesting under this Agreement, with any other written agreement with the Company and/or another plan or policy of the Company. If the Executive has any other binding written agreement with the Company which provides that, upon a Change of Control or Termination Upon a Change of Control or Involuntary Termination, the Executive shall receive termination, severance or similar benefits, then no benefits shall be received by Executive under this Agreement unless, prior to payment or receipt of benefits under this Agreement, the Executive waives Executive's rights to all such other benefits, in which case this Agreement shall supersede any such written agreement with respect to such other benefits.

7. ARBITRATION

7.1 Disputes Subject to Arbitration. Any claim, dispute or controversy arising out of this Agreement (other than claims relating to misuse or misappropriation of the intellectual property of the Company), the interpretation, validity or enforceability of this Agreement or the alleged breach thereof shall be submitted by the parties to binding arbitration by a sole arbitrator under the rules of the American Arbitration Association; provided, however, that (a) the arbitrator shall have no authority to make any ruling or judgment that would confer any rights with respect to the trade secrets, confidential and proprietary information or other intellectual property of the Company upon the Executive or any third party; and (b) this arbitration provision shall not preclude the Company from seeking legal and equitable relief from any court having jurisdiction with respect to any disputes or claims relating to or arising out of the misuse or misappropriation of the Company's intellectual property. Judgment may be entered on the award of the arbitrator in any court having jurisdiction.

7.2 Costs of Arbitration. All costs of arbitration, including reasonable attorney's fees of the Executive, will be borne by the Company, except that if the Executive initiates arbitration and the arbitrator finds the Executive's claims to be frivolous the Executive shall be responsible for their own costs and attorneys' fees.

7.3 Site of Arbitration. The site of the arbitration proceeding shall be in New York, New York.

8. NOTICES

For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or five (5) business days after being mailed, return receipt requested, upon delivery by courier or refusal of receipt, or on the next business day after being sent by e-mail, as follows: (a) if to the Company, attention: General Counsel, at the Company's address at 1580 N. Logan St. Suite 660, Unit 51767, Denver, Colorado 80203 or legal@authid.ai and, (b) if to the Executive, at the address indicated below or such other address specified by the Executive in writing to the Company. Either party may provide the other with notices of change of address, which shall be effective upon receipt.

10. MISCELLANEOUS PROVISIONS

10.1 Heirs and Representatives of the Executive; Successors and Assigns of the Company. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Executive's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of the Company.

10.2 Amendment and Waiver. No provision of this Agreement shall be modified, amended, waived or discharged unless the modification, amendment, waiver or discharge is agreed to in writing, specifying such modification, amendment, waiver or discharge, and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

10.3 Withholding Taxes. All payments made under this Agreement shall be subject to deduction of all federal, state, local and other taxes required to be withheld by applicable law.

10.4 Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

10.5 Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York, without regard to where the Executive has their residence or principal office or where they perform their duties hereunder.

10.6 No Duty to Mitigate. The Executive is not required to seek alternative employment following termination, and payments called for under this Agreement will not be reduced by earnings from any other source.

10.7 Section 409A of the Code. The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code and the Treasury Regulations and guidance promulgated thereunder (“**Section 409A**”), to the extent subject thereto, and accordingly, to the maximum extent permitted, this letter shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of any provision in this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment until Executive would be considered to have incurred a “separation from service” from the Company within the meaning of Section 409A and this Agreement shall be interpreted consistently therewith. Without limiting the foregoing, and notwithstanding anything to the contrary contained herein, to the extent (a) any payments or benefits to which Executive becomes entitled under this Agreement, or under any agreement or plan referenced herein, in connection with Executive’s termination of employment with the Company constitute deferred compensation subject to Section 409A of the Code and (b) Executive is deemed at the time of such termination of employment to be a “specified employee” under Section 409A of the Code, then such payments shall not be made or commence until the earliest of (i) the expiration of the six (6)-month period measured from the date of Executive’s “separation from service” (as such term is at the time defined in Treasury Regulations under Section 409A of the Code) from the Company; or (ii) the date of Executive’s death following such separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Executive, including (without limitation) the additional twenty percent (20%) tax for which Executive would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to Executive or Executive’s beneficiary in one lump sum (without interest). Any termination of Executive’s employment is intended to constitute a “separation from service” as such term is defined in Treasury Regulation Section 1.409A-1. It is intended that each installment of the payments provided hereunder constitute separate and distinct “payments” for purposes of Section 1.409A of the Code. It is further intended that payments hereunder satisfy, to the greatest extent possible, the exemption from the application of Code Section 409A (and any state law of similar effect) provided under Treasury Regulation Section 1.409A-1(b)(4) (as a “short-term deferral”). The Company makes no representation that any or all of the payments described or referenced in this letter will be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment, and Company’s only obligation is to comply with its obligations set forth herein.

10.8 Entire Agreement. This Agreement represents the entire agreement and understanding between the parties as to the subject matter herein (whether oral or written and whether express or implied). The Executive hereby acknowledges, represents and warrants that they have been individually represented by counsel in negotiating and signing this agreement.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company, by its duly authorized officer, as of the day and year first above written.

EXECUTIVE

ERICK SOTO

authID Inc.

By:

Rhoniel A Daguro, CEO

EXHIBIT 1

RELEASE OF CLAIMS

This General Release of all Claims (this "Release") is entered into on [•], by and between **AUTHID INC.**, a Delaware corporation (the "Company"), and **ERICK SOTO** (the "Executive").

In accordance with Section 7.3 of the Executive Retention Agreement by and between the Company and the Executive, effective _____, 2024 (the "Retention Agreement"), in consideration of the payments and benefits to which the Executive is entitled pursuant to the Retention Agreement subject to the execution and non-revocation of this Release, the Executive agrees as follows:

- General Release and Waiver of Claims.
 - *Release.* The Executive and each of the Executive's respective heirs, executors, administrators, representatives, agents, successors and assigns (collectively, the "Releasors") hereby irrevocably and unconditionally release and forever discharge the Company and each of its subsidiaries and affiliates and each of their respective officers, employees, directors, managers, shareholders and agents ("Releasees") from any and all claims, actions, causes of action, rights, judgments, obligations, damages, demands, accountings or liabilities of whatever kind or character (collectively, "Claims"), including, without limitation, any Claims under any federal, state, local or foreign law, that the Releasors may have or in the future may possess, arising out (i) of the Executive's employment relationship with and service as an employee, officer, manager or director of the Company, and the termination of such relationship or service and (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date hereof, physical injuries excepted; *provided, however,* that notwithstanding anything else herein to the contrary, this Release shall not affect: the obligations of the Company to pay the amounts due and owing to Executive on the Termination Date or other obligations that, in each case, by their terms, are to be performed after the date hereof by the Company; any indemnification or similar rights the Executive has as a current or former officer, manager or director of the Company, including, without limitation, any and all rights thereto referenced in the Company's governance documents or any rights with respect to "directors' and officers'" insurance policies; and the Executive's right to reimbursement of business expenses; any ownership Executive holds in Company Shares and other vested or acquired equity, and rights existing thereunder.
 - *Specific Release of ADEA Claims.* The Releasors hereby unconditionally release and forever discharge the Releasees from any and all Claims that the Releasors may have as of the date the Executive signs this Release arising under the Federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA"). By signing this Release, the Executive hereby acknowledges and confirms the following: (i) the Executive was advised by the Company in connection with their termination to consult with an attorney of their choice prior to signing this Release and to have such attorney explain to the Executive the terms of this Release, including, without limitation, the terms relating to the Executive's release of claims arising under ADEA, and the Executive has in fact consulted with an attorney; (ii) the Executive was given a period of not fewer than twenty-one (21) calendar days to consider the terms of this Release and to consult with an attorney of their choosing with respect thereto; and (iii) the Executive knowingly and voluntarily accepts the terms of this Release. The Executive also understands that they have seven (7) calendar days following the date on which they sign this Release within which to revoke the release contained in this paragraph, by providing the Company a written notice of their revocation of the release and waiver contained in this paragraph.

- o *Release of All Claims.* The Executive acknowledges, understands and agrees that they may later discover Claims or facts in addition to or different from those which they now knows or believes to be true with respect to the subject matters of this Release, but that it is nevertheless their intention by signing this Release to fully, finally and forever release any and all Claims whether now known or unknown, suspected or unsuspected, which now exist, may exist, or previously have existed as set forth herein.
- o Executive agrees and acknowledges that the released claims extend to and include unknown and unsuspected claims. In furtherance of the Executive's intent, the release in this Release shall remain in full and complete effect notwithstanding the discovery or existence of any additional, contrary, or different facts.
- o *No Assignment.* The Executive represents and warrants that they have not assigned any of the Claims being released under this Release.

- Proceedings. The Executive has not filed, and agrees not to initiate or cause to be initiated on their behalf, any complaint, charge, claim or proceeding against the Releasees before any local, state or federal agency, court or other body, other than in respect of any matter described in the proviso to Section 1(a) of this Release (each, individually, a "Proceeding"), and agrees not to participate voluntarily in any Proceeding. The Executive waives any right they have may have to benefit in any manner from any relief (whether monetary or otherwise) arising out of any Proceeding.

- Remedies. The Executive understands that by entering into this Release they have will be limiting the availability of certain remedies that they have may have against the Company and limiting also their ability to pursue certain claims against the Company.

- Severability Clause. In the event any provision or part of this Release is found to be invalid or unenforceable, only that particular provision or part so found, and not the entire Release, will be inoperative.

- Non-admission. Nothing contained in this Release will be deemed or construed as an admission of wrongdoing or liability on the part of the Company.

- Governing Law. All matters affecting this Release, including the validity thereof, are to be governed by, and interpreted and construed in accordance with, the laws of the State of Illinois applicable to contracts executed in and to be performed in that State.

- Capitalized Terms. Capitalized terms used but not defined herein have the meanings ascribed to them in the Retention Agreement.

THE EXECUTIVE ACKNOWLEDGES THAT THEY HAVE READ THIS RELEASE AND THAT THEY FULLY KNOW, UNDERSTAND AND APPRECIATE ITS CONTENTS, AND THAT THEY HEREBY EXECUTES THE SAME AND MAKES THIS AGREEMENT AND THE RELEASE AND AGREEMENTS PROVIDED FOR HEREIN VOLUNTARILY AND OF THEIR OWN FREE WILL.

IN WITNESS WHEREOF, the Executive has executed this Release on the date first set forth below.

EXECUTIVE:

ERICK SOTO

ACKNOWLEDGED AND AGREED

AUTHID INC.

By: _____

Name:

Title:

EXECUTIVE RETENTION AGREEMENT

This Executive Retention Agreement (the “*Agreement*”) is made and entered into as of September 10, 2024 by and between AUTHID INC., a Delaware corporation (the “*Company*”), and ERICK SOTO (the “*Executive*”).

WHEREAS, the Executive is being hired as a key employee of the Company and the Company and the Executive desire to enter into this Agreement to encourage the Executive to devote the Executive’s full attention and dedication to the success of the Company, and to provide specified compensation and benefits to the Executive in the event of a Termination Upon Change of Control, or certain other terminations pursuant to the terms of this Agreement.

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. PURPOSE AND TERM

The purpose of this Agreement is to provide specified compensation and benefits to the Executive in the event of (i) a Termination Upon Change of Control or (ii) an Involuntary Termination. Subject to the terms of any applicable written employment agreement between Company and the Executive (as to which Executive acknowledges no other such agreement exists as of the date hereof beyond the Employment Offer Letter dated as of the date hereof), either the Executive or Company may terminate the Executive’s employment at any time for any reason, with or without notice. The term of this Agreement shall be the period from the date set forth above until Executive’s employment is terminated for any reason, or this Agreement is terminated by mutual agreement of the parties.

2. TERMINATION UPON CHANGE OF CONTROL

2.1 Severance Payment. In the event of the Executive’s Termination Upon Change of Control, the Executive shall be entitled to receive an amount equal to twelve (12) months of the Executive’s Base Salary which shall be paid in a lump sum payment within thirty (30) days following the Termination Date; provided, however, that if Section 409A of the Code would otherwise apply to such cash severance payment, it instead shall be paid at such time as permitted by Section 409A of the Code. The severance payment payable hereunder shall be reduced to the extent of the amount of any bonus payable to Executive upon a Change of Control.

2.2 Equity Compensation Acceleration. Upon the Executive’s Termination Upon Change of Control, the vesting and exercisability of all then outstanding stock options and shares of restricted stock (or any other equity award, including, without limitation, stock appreciation rights and restricted stock units) granted to the Executive under any Company Plans (Collectively “*Equity Awards*”) shall be accelerated as to 100% of the shares subject to any such Equity Awards granted to the Executive.

2.3 Equity Compensation Exercise. Upon the Executive’s Termination Upon Change of Control, the Exercise Period with respect to vested Shares, under the Company Plans for the purposes of the Executive’s stock options granted under the Company Plans shall be extended so as to expire four (4) years from the date of Termination Upon Change of Control, or at the end of the remaining term of the relevant Equity Award, whichever is the lesser. All other unvested Shares under any such option grants or other Equity Awards not subject to acceleration under Section 2.3 shall lapse and no longer be exercisable as of the date of Termination Upon Change of Control.

2.4 Indemnification. In the event of the Executive’s Termination Upon Change of Control, (a) the Company shall continue to indemnify the Executive against all claims related to actions arising prior to the termination of the Executive’s employment to the fullest extent permitted by law, and (b) if the Executive was covered by the Company’s directors’ and officers’ insurance policy, or an equivalent thereto, (the “*D&O Insurance Policy*”) immediately prior to the Change of Control, the Company or its Successor shall continue to provide coverage under a D&O Insurance Policy for not less than twenty-four (24) months following the Executive’s Termination Upon Change of Control on substantially the same terms of the D&O Insurance Policy in effect immediately prior to the Change of Control.

3. INVOLUNTARY TERMINATION

3.1 Severance Payment. In the event of the Executive's Involuntary Termination, the Executive shall be entitled to receive an amount equal to twelve (12) months of the Executive's Base Salary, which shall be paid according to the following schedule: (i) a lump sum payment equal to one-fourth of such amount shall be payable within ten (10) days following the Termination Date, and (ii) one-fourth of such amount shall be payable within ten (10) days of each of the three-month, six-month and nine-month anniversaries of the Termination Date (and in each case no interest shall accrue on such amount); provided, however, that if Section 409A of the Code would otherwise apply to such cash severance payment, it instead shall be paid at such time as permitted by Section 409A of the Code.

3.2 Equity Compensation Exercise. Upon the Executive's Involuntary Termination, the Exercise Period with respect to vested Shares, under the Company Plans for the purposes of the Executive's stock options granted under the Company Plans shall be extended so as to expire four (4) years from the date of Involuntary Termination, or at the end of the remaining term of the relevant Equity Award, whichever is the lesser. All other unvested Shares under any such option grants, or other Equity Awards shall lapse and no longer be exercisable as of the date of Involuntary Termination.

3.3 Indemnification. In the event of the Executive's Involuntary Termination, (a) the Company shall continue to indemnify the Executive against all claims related to actions arising prior to the Termination Date to the fullest extent permitted by law, and (b) if the Executive was covered by the D&O Insurance Policy immediately prior to the Termination Date, the Company shall continue to provide coverage under a D&O Insurance Policy for not less than twenty-four (24) months following the Executive's Involuntary Termination on substantially the same terms of the D&O Insurance Policy in effect immediately prior to the Termination Date.

4. FEDERAL EXCISE TAX UNDER SECTION 280G

4.1 Excise Tax. If (a) any amounts payable to the Executive under this Agreement or otherwise are characterized as excess parachute payments pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (b) the Executive thereby would be subject to any United States federal excise tax due to that characterization, then such amounts will either be (i) delivered in full, or (ii) delivered to such lesser extent which would result in no portion of such amounts being subject to excise tax pursuant to Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Code Section 4999, results in Executive's receipt on an after-tax basis, of the greatest amounts, notwithstanding that all or some portion of such amounts may be taxable under Code Section 4999. If a reduction in the amounts constituting "parachute payments" is necessary so that no portion of such amounts are subject to the excise tax under Code Section 4999, the reduction will occur in the following order: (i) reduction of the cash severance payments, which will occur in reverse chronological order such that the cash payment owed on the latest date following the occurrence of the event triggering such excise tax will be the first cash payment to be reduced; (ii) cancellation of accelerated vesting of Equity Awards which will occur in the reverse order of the date of grant for such stock awards (i.e., the vesting of the most recently granted stock awards will be reduced first); and (iii) reduction of continued employee benefits, which will occur in reverse chronological order such that the benefit owed on the latest date following the occurrence of the event triggering such excise tax will be the first benefit to be reduced. If two or more Equity Awards are granted on the same date, each Equity Award will be reduced on a pro-rata basis. Notwithstanding the foregoing, no such reduction or elimination shall apply to any non-qualified deferred compensation amounts (within the meaning of Section 409A of the Code) to the extent such reduction or elimination would accelerate or defer the timing of such payment in a manner that does not comply with Section 409A of the Code.

4.2 Calculation by Independent Public Accountants. Unless the Company and the Executive otherwise agree in writing, any calculation of the amount of any excess parachute payments payable by the Executive shall be made in writing by the Company's independent public accountants (the "**Accountants**") whose conclusion shall be final and binding on the parties. For purposes of making such calculations, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make the required calculations. The Company shall bear all fees and expenses the Accountants may charge in connection with these services, but the engagement of the Accountants for this purpose shall be pursuant to an agreement between the Executive and the Accountants.

5. DEFINITIONS

5.1 Capitalized Terms Defined. Capitalized terms used in this Agreement shall have the meanings set forth in this Section 4, unless the context clearly requires a different meaning.

5.2 "**Base Salary**" means the greater of (a) if applicable, the monthly salary of the Executive in effect immediately prior to the Change of Control, or (b) the monthly salary of the Executive in effect immediately prior to the Termination Date.

5.3 "**Cause**" means:

- (a) the Executive willfully failed to follow the lawful written directions of the Board of Directors of the Company (the "**Board**") or Executive's immediate superior; provided that no termination for such Cause shall occur unless the Executive: (i) has been provided with notice, specifying such willful failure in reasonable detail, of the Company's intention to terminate the Executive for Cause; and (ii) has failed to cure or correct such willful failure within thirty (30) days of receiving such notice;
- (b) the Executive engaged in gross misconduct, or gross incompetence which is materially detrimental to the Company; provided that no termination for such Cause shall occur unless the Executive: (i) has been provided with notice, specifying such gross misconduct or gross incompetence in reasonable detail, of the Company's intention to terminate the Executive for Cause; and (ii) has failed to cure or correct such gross misconduct within thirty (30) days of receiving such notice, provided that such notice and cure period requirements shall not apply in the event that such misconduct, or incompetence is of a nature that it is unable to be remedied;
- (c) the Executive willfully failed to comply in a material respect with the Employee Invention Assignment & Confidentiality Agreement, the Company's Code of Ethics and share dealing code, the Executive's non-competition agreement, or any other reasonable policies of the Company where non-compliance would be materially detrimental to the Company; provided that no termination for such Cause shall occur unless the Executive: (i) has been provided with notice of the Company's intention to terminate the Executive for such Cause, and (ii) has failed to cure or correct such willful failure within thirty (30) days of receiving such notice, provided that such notice and cure period requirements shall not apply in the event that such non-compliance is of a nature that it is unable to be remedied; or

- (d) The Executive is convicted of a felony or intentional crime of moral turpitude (excluding drunk driving unless combined with other aggravating circumstances or offenses) or commission of a fraud that the Company reasonably believes would have a material adverse effect on the Company.

5.4 “**Change of Control**” means:

- (a) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)) becomes the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing fifty (50%) percent or more of (i) the outstanding shares of common stock of the Company, or (ii) the combined voting power of the Company’s outstanding securities;
- (b) the Company is party to a merger or consolidation, or series of related transactions, which results in the voting securities of the Company outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), directly or indirectly, at least fifty (50%) percent of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;
- (c) the sale or disposition of all or substantially all of the Company’s assets, or consummation of any transaction, or series of related transactions, having similar effect (other than to a subsidiary of the Company);
- (d) a change in the composition of the Board within any consecutive two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. “Incumbent Directors” shall mean directors who either (i) were directors of the Company as of the effective date of this Agreement, or (ii) are elected, or nominated for election, to the Board with the affirmative votes of a least a majority of those directors whose election or nomination was not in connection with an actual or threatened proxy contest related to the election of directors to the Company; or
- (e) the dissolution or liquidation of the Company.

5.5 “**Company**” shall mean AUTHID INC. and, following a Change of Control, any Successor.

5.6 “**Company Plans**” shall mean the Company’s 2024 Equity Incentive Plan and any employee equity plan that replaces or supplements such plan, as well as any grant of stock options, restricted stock, stock appreciation rights, stock award, or stock purchase offer, which may be made to Executive outside of any such plan.

5.7 “**Involuntary Termination**” means:

- (a) any termination without Cause of the employment of the Executive by the Company; or
- (b) any resignation by Executive for Good Reason where such resignation occurs within one hundred twenty (120) days following the occurrence of such Good Reason.

Notwithstanding the foregoing, the term “Involuntary Termination” shall not include any termination of the employment of the Executive: (1) by the Company for Cause; (2) by the Company as a result of the Permanent Disability of the Executive; (3) as a result of the death of the Executive; (4) as a result of the voluntary termination of employment by the Executive for any reason other than Good Reason, or (5) that would qualify as a Termination Upon Change of Control hereunder.

5.8 “**Good Reason**” means the occurrence of any of the following conditions, without the Executive’s written consent:

- (a) Any act, set of facts or omissions with respect to the Executive that would, as a matter of applicable law, constitute a constructive termination of the Executive.
- (b) The assignment to the Executive of a title, position, responsibilities or duties that is not a “Substantive Functional Equivalent” to the title, position, responsibilities or duties which the Executive had immediately prior to such assignment (including, as relevant, immediately prior to the public announcement of the Change of Control).
- (c) A material reduction in the Executive’s Base Salary or, if applicable, target bonus opportunity (subject to applicable performance requirements with respect to the actual amount of bonus compensation earned similar to the applicable performance requirements currently in effect), and in the event of a Change of Control, as compared to Executive’s Base Salary and target bonus opportunity in effect immediately prior to the public announcement of the Change of Control; provided, however, that this clause (c) shall not apply in the event of a reduction in the Executive’s Base Salary or, if applicable, target bonus opportunity as part of a Company-wide or executive team-wide cost-cutting measure or Company-wide or executive team-wide cutback as a result of overall Company performance.
- (d) The failure of the Company (i) to continue to provide the Executive an opportunity to participate in any benefit or compensation plans provided to employees who hold positions with the Company comparable to the Executive’s position, (ii) to provide the Executive all other fringe benefits (or the equivalent) in effect for the benefit of any employee group which includes any employee who hold a position with the Company comparable to the Executive’s position, where in the event of a Change of Control, such comparison shall be made relative to the time immediately prior to the public announcement of such Change of Control); or (iii) continue to provide director’s and officers’ insurance.

- (e) A material breach of this Agreement by the Company, including, in the event of a Change of Control, failure of the Company to obtain the consent of a Successor to perform all of the obligations of the Company under this Agreement.

The Executive must first give the Company an opportunity to cure any of the foregoing within thirty (30) days following delivery to the Company of a written explanation specifying the specific basis for Executive's belief that Executive is entitled to terminate employment for Good Reason, and Executive terminates employment with the Company not later than (30) days following the Company's failure to cure.

5.9 "**Permanent Disability**" means that:

- (a) the Executive has been incapacitated by bodily injury, illness or disease so as to be prevented thereby from engaging in the performance of the Executive's duties;
- (b) such total incapacity shall have continued for a period of six consecutive months; and
- (c) such incapacity will, in the opinion of a qualified physician, be permanent and continuous during the remainder of the Executive's life.

5.10 "**Substantive Functional Equivalent**" means that the Executive's position must:

- (a) be in a substantive area of the Executive's competence (e.g., finance or executive management) and not materially different from the position occupied immediately prior;
- (b) allow the Executive to serve in a role and perform duties functionally equivalent to those performed immediately prior; and
- (c) not otherwise constitute a material, adverse change in authority, title, status, responsibilities or duties from those of the Executive immediately prior, causing the Executive to be of materially lesser rank or responsibility, including requiring the Executive to report to a person other than the Board.

5.11 "**Successor**" means any successor in interest to, or assignee of, substantially all of the business and assets of the Company.

5.12 "**Termination Date**" means the date of the termination of the Executive's employment with the Company.

5.13 "**Termination Upon Change of Control**" means:

- (a) any termination of the employment of the Executive by the Company without Cause during the period commencing on or after the date that the Company first publicly announces a definitive agreement that results in a Change of Control (even though still subject to approval by the Company's stockholders and other conditions and contingencies, but provided that the Change of Control actually occurs) and ending on the date which is twelve (12) months following the Change of Control; or

- (b) any resignation by Executive for Good Reason where (i) such Good Reason occurs during the period commencing on or after the date that the Company first publicly announces a definitive agreement that results in a Change of Control (even though still subject to approval by the Company's stockholders and other conditions and contingencies, but provided that the Change of Control actually occurs) and ending on the date which is twelve (12) months following the Change of Control, and (ii) such resignation occurs at or after such Change in Control and in any event within twelve (12) months following the expiration of any Company cure period.

Notwithstanding the foregoing, the term "Termination Upon Change of Control" shall not include any termination of the employment of the Executive: (1) by the Company for Cause; (2) by the Company as a result of the Permanent Disability of the Executive; (3) as a result of the death of the Executive; or (4) as a result of the voluntary termination of employment by the Executive for any reason other than Good Reason.

6. EXCLUSIVE REMEDY

6.1 No Other Benefits Payable. The Executive shall be entitled to no other termination, severance or change of control compensation, benefits, or other payments from the Company as a result of any termination with respect to which the payments and benefits described in Sections 2 or 3 have been provided to the Executive, except as expressly set forth in this Agreement.

6.2 No Limitation of Regular Benefit Plans. Except as may be provided elsewhere in this Agreement, this Agreement is not intended to and shall not affect, limit or terminate any plans, programs or arrangements of the Company that are regularly made available to a significant number of employees or officers of the Company, including, without limitation, the Company's stock option plans.

6.3 Release of Claims. The payment and application of the benefits described in Sections 2 and 3 of this Agreement is conditioned upon the delivery by the Executive to the Company of a signed and effective general release of claims as provided by the Company substantially in the form attached hereto as Exhibit 1; provided, however, that the Executive shall not be required to release any rights the Executive may have to any payments and benefits under this Agreement, to be indemnified by the Company or as otherwise provided under this Agreement, or any rights to or under any Shares or Equity Awards then-owned by Executive at the time.

6.4 Non-cumulation of Benefits. The Executive may not cumulate cash severance payments, stock option vesting and exercisability and restricted stock vesting under this Agreement, with any other written agreement with the Company and/or another plan or policy of the Company. If the Executive has any other binding written agreement with the Company which provides that, upon a Change of Control or Termination Upon a Change of Control or Involuntary Termination, the Executive shall receive termination, severance or similar benefits, then no benefits shall be received by Executive under this Agreement unless, prior to payment or receipt of benefits under this Agreement, the Executive waives Executive's rights to all such other benefits, in which case this Agreement shall supersede any such written agreement with respect to such other benefits.

7. ARBITRATION

7.1 Disputes Subject to Arbitration. Any claim, dispute or controversy arising out of this Agreement (other than claims relating to misuse or misappropriation of the intellectual property of the Company), the interpretation, validity or enforceability of this Agreement or the alleged breach thereof shall be submitted by the parties to binding arbitration by a sole arbitrator under the rules of the American Arbitration Association; provided, however, that (a) the arbitrator shall have no authority to make any ruling or judgment that would confer any rights with respect to the trade secrets, confidential and proprietary information or other intellectual property of the Company upon the Executive or any third party; and (b) this arbitration provision shall not preclude the Company from seeking legal and equitable relief from any court having jurisdiction with respect to any disputes or claims relating to or arising out of the misuse or misappropriation of the Company's intellectual property. Judgment may be entered on the award of the arbitrator in any court having jurisdiction.

7.2 Costs of Arbitration. All costs of arbitration, including reasonable attorney's fees of the Executive, will be borne by the Company, except that if the Executive initiates arbitration and the arbitrator finds the Executive's claims to be frivolous the Executive shall be responsible for their own costs and attorneys' fees.

7.3 Site of Arbitration. The site of the arbitration proceeding shall be in New York, New York.

8. NOTICES

For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or five (5) business days after being mailed, return receipt requested, upon delivery by courier or refusal of receipt, or on the next business day after being sent by e-mail, as follows: (a) if to the Company, attention: General Counsel, at the Company's address at 1580 N. Logan St. Suite 660, Unit 51767, Denver, Colorado 80203 or legal@authid.ai and, (b) if to the Executive, at the address indicated below or such other address specified by the Executive in writing to the Company. Either party may provide the other with notices of change of address, which shall be effective upon receipt.

10. MISCELLANEOUS PROVISIONS

10.1 Heirs and Representatives of the Executive; Successors and Assigns of the Company. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Executive's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of the Company.

10.2 Amendment and Waiver. No provision of this Agreement shall be modified, amended, waived or discharged unless the modification, amendment, waiver or discharge is agreed to in writing, specifying such modification, amendment, waiver or discharge, and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

10.3 Withholding Taxes. All payments made under this Agreement shall be subject to deduction of all federal, state, local and other taxes required to be withheld by applicable law.

10.4 Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

10.5 Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York, without regard to where the Executive has their residence or principal office or where they perform their duties hereunder.

10.6 No Duty to Mitigate. The Executive is not required to seek alternative employment following termination, and payments called for under this Agreement will not be reduced by earnings from any other source.

10.7 Section 409A of the Code. The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code and the Treasury Regulations and guidance promulgated thereunder (“**Section 409A**”), to the extent subject thereto, and accordingly, to the maximum extent permitted, this letter shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of any provision in this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment until Executive would be considered to have incurred a “separation from service” from the Company within the meaning of Section 409A and this Agreement shall be interpreted consistently therewith. Without limiting the foregoing, and notwithstanding anything to the contrary contained herein, to the extent (a) any payments or benefits to which Executive becomes entitled under this Agreement, or under any agreement or plan referenced herein, in connection with Executive’s termination of employment with the Company constitute deferred compensation subject to Section 409A of the Code and (b) Executive is deemed at the time of such termination of employment to be a “specified employee” under Section 409A of the Code, then such payments shall not be made or commence until the earliest of (i) the expiration of the six (6)-month period measured from the date of Executive’s “separation from service” (as such term is at the time defined in Treasury Regulations under Section 409A of the Code) from the Company; or (ii) the date of Executive’s death following such separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Executive, including (without limitation) the additional twenty percent (20%) tax for which Executive would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to Executive or Executive’s beneficiary in one lump sum (without interest). Any termination of Executive’s employment is intended to constitute a “separation from service” as such term is defined in Treasury Regulation Section 1.409A-1. It is intended that each installment of the payments provided hereunder constitute separate and distinct “payments” for purposes of Section 1.409A of the Code. It is further intended that payments hereunder satisfy, to the greatest extent possible, the exemption from the application of Code Section 409A (and any state law of similar effect) provided under Treasury Regulation Section 1.409A-1(b)(4) (as a “short-term deferral”). The Company makes no representation that any or all of the payments described or referenced in this letter will be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment, and Company’s only obligation is to comply with its obligations set forth herein.

10.8 Entire Agreement. This Agreement represents the entire agreement and understanding between the parties as to the subject matter herein (whether oral or written and whether express or implied). The Executive hereby acknowledges, represents and warrants that they have been individually represented by counsel in negotiating and signing this agreement.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company, by its duly authorized officer, as of the day and year first above written.

EXECUTIVE

/s/ Erick Soto

ERICK SOTO

[Address]

authID Inc.

By: /s/ Rhoniel A. Daguro

Rhoniel A Daguro, CEO

EXHIBIT 1

RELEASE OF CLAIMS

This General Release of all Claims (this "Release") is entered into on [•], by and between **AUTHID INC.**, a Delaware corporation (the "Company"), and **ERICK SOTO** (the "Executive").

In accordance with Section 7.3 of the Executive Retention Agreement by and between the Company and the Executive, effective _____, 2024 (the "Retention Agreement"), in consideration of the payments and benefits to which the Executive is entitled pursuant to the Retention Agreement subject to the execution and non-revocation of this Release, the Executive agrees as follows:

- General Release and Waiver of Claims.
 - o *Release.* The Executive and each of the Executive's respective heirs, executors, administrators, representatives, agents, successors and assigns (collectively, the "Releasers") hereby irrevocably and unconditionally release and forever discharge the Company and each of its subsidiaries and affiliates and each of their respective officers, employees, directors, managers, shareholders and agents ("Releasees") from any and all claims, actions, causes of action, rights, judgments, obligations, damages, demands, accountings or liabilities of whatever kind or character (collectively, "Claims"), including, without limitation, any Claims under any federal, state, local or foreign law, that the Releasers may have or in the future may possess, arising out (i) of the Executive's employment relationship with and service as an employee, officer, manager or director of the Company, and the termination of such relationship or service and (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date hereof, physical injuries excepted; *provided, however,* that notwithstanding anything else herein to the contrary, this Release shall not affect: the obligations of the Company to pay the amounts due and owing to Executive on the Termination Date or other obligations that, in each case, by their terms, are to be performed after the date hereof by the Company; any indemnification or similar rights the Executive has as a current or former officer, manager or director of the Company, including, without limitation, any and all rights thereto referenced in the Company's governance documents or any rights with respect to "directors' and officers'" insurance policies; and the Executive's right to reimbursement of business expenses; any ownership Executive holds in Company Shares and other vested or acquired equity, and rights existing thereunder.
 - o *Specific Release of ADEA Claims.* The Releasers hereby unconditionally release and forever discharge the Releasees from any and all Claims that the Releasers may have as of the date the Executive signs this Release arising under the Federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA"). By signing this Release, the Executive hereby acknowledges and confirms the following: (i) the Executive was advised by the Company in connection with their termination to consult with an attorney of their choice prior to signing this Release and to have such attorney explain to the Executive the terms of this Release, including, without limitation, the terms relating to the Executive's release of claims arising under ADEA, and the Executive has in fact consulted with an attorney; (ii) the Executive was given a period of not fewer than twenty-one (21) calendar days to consider the terms of this Release and to consult with an attorney of their choosing with respect thereto; and (iii) the Executive knowingly and voluntarily accepts the terms of this Release. The Executive also understands that they have seven (7) calendar days following the date on which they sign this Release within which to revoke the release contained in this paragraph, by providing the Company a written notice of their revocation of the release and waiver contained in this paragraph.

- o *Release of All Claims.* The Executive acknowledges, understands and agrees that they may later discover Claims or facts in addition to or different from those which they now knows or believes to be true with respect to the subject matters of this Release, but that it is nevertheless their intention by signing this Release to fully, finally and forever release any and all Claims whether now known or unknown, suspected or unsuspected, which now exist, may exist, or previously have existed as set forth herein.
- o Executive agrees and acknowledges that the released claims extend to and include unknown and unsuspected claims. In furtherance of the Executive's intent, the release in this Release shall remain in full and complete effect notwithstanding the discovery or existence of any additional, contrary, or different facts.
- o *No Assignment.* The Executive represents and warrants that they have not assigned any of the Claims being released under this Release.

- Proceedings. The Executive has not filed, and agrees not to initiate or cause to be initiated on their behalf, any complaint, charge, claim or proceeding against the Releasees before any local, state or federal agency, court or other body, other than in respect of any matter described in the proviso to Section 1(a) of this Release (each, individually, a "Proceeding"), and agrees not to participate voluntarily in any Proceeding. The Executive waives any right they have may have to benefit in any manner from any relief (whether monetary or otherwise) arising out of any Proceeding.

- Remedies. The Executive understands that by entering into this Release they have will be limiting the availability of certain remedies that they have may have against the Company and limiting also their ability to pursue certain claims against the Company.

- Severability Clause. In the event any provision or part of this Release is found to be invalid or unenforceable, only that particular provision or part so found, and not the entire Release, will be inoperative.

- Non-admission. Nothing contained in this Release will be deemed or construed as an admission of wrongdoing or liability on the part of the Company.

- Governing Law. All matters affecting this Release, including the validity thereof, are to be governed by, and interpreted and construed in accordance with, the laws of the State of Illinois applicable to contracts executed in and to be performed in that State.

- Capitalized Terms. Capitalized terms used but not defined herein have the meanings ascribed to them in the Retention Agreement.

THE EXECUTIVE ACKNOWLEDGES THAT THEY HAVE READ THIS RELEASE AND THAT THEY FULLY KNOW, UNDERSTAND AND APPRECIATE ITS CONTENTS, AND THAT THEY HEREBY EXECUTES THE SAME AND MAKES THIS AGREEMENT AND THE RELEASE AND AGREEMENTS PROVIDED FOR HEREIN VOLUNTARILY AND OF THEIR OWN FREE WILL.

IN WITNESS WHEREOF, the Executive has executed this Release on the date first set forth below.

EXECUTIVE:

ERICK SOTO

ACKNOWLEDGED AND AGREED

AUTHID INC.

By: _____
Name: _____
Title: _____

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

I, Rhoniel Daguro, Chief Executive Officer certify that:

1. I have reviewed this quarterly report on Form 10-Q of authID Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data 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 controls over financial reporting.

Date: November 7, 2024

/s/ Rhoniel Daguro

Rhoniel Daguro
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Edward Sellitto Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of authID Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data 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 controls over financial reporting.

Date: November 7, 2024

/s/ Ed Sellitto

Ed Sellitto

Chief Financial Officer

(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of authID Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Rhoniel Daguro, Chief Executive Officer of the Company, and, Edward Sellitto, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 7, 2024

/s/ Rhoniel Daguro

Rhoniel Daguro
Chief Executive Officer
(Principal Executive Officer)

November 7, 2024

/s/ Ed Sellitto

Ed Sellitto, Chief Financial Officer
(Principal Financial and Accounting Officer)