

REFINITIV

DELTA REPORT

10-Q

AUID - AUTHID INC.

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

The following comparison report has been automatically generated

TOTAL DELTAS	1234
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 CHANGES	123
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 DELETIONS	709
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 ADDITIONS	402
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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, 2023 March 31, 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

46-2069547

(State or other jurisdiction of
incorporation or organization)

(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 ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth Company ☒

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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 6, 2023May 10, 2024
Common Stock, par value \$0.0001	7,874,9629,450,220 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, 2022** **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 Covid-19 Pandemic;**
- 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.

On June 26, 2023 the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporations to effect a one-for-eight (1-for-8) reverse split which became effective on July 7, 2023 (See Note 8 “Shareholders’ Equity”).

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, 2023 (unaudited)	December 31, 2022	March 31, 2024 (unaudited)	December 31, 2023
ASSETS				
Current Assets:				
Cash	\$ 3,811,014	\$ 3,237,106	\$ 7,226,212	\$ 10,177,099
Accounts receivable, net	48,832	261,809	328,782	91,277
Deferred contract costs			160,718	157,300
Other current assets, net	474,178	729,342	485,598	476,004
Deferred contract costs	66,300	-		
Current assets held for sale	-	118,459		
Contract assets			49,713	-
Total current assets	4,400,324	4,346,716	8,251,023	10,901,680
Other Assets	-	250,383		
Intangible Assets, net	370,409	566,259	283,593	327,001
Goodwill	4,183,232	4,183,232	4,183,232	4,183,232
Non-current assets held for sale	-	27,595		
Total assets	<u>\$ 8,953,965</u>	<u>\$ 9,374,185</u>	<u>\$ 12,717,848</u>	<u>\$ 15,411,913</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 989,538	\$ 1,154,072	\$ 906,244	\$ 1,408,965
Deferred revenue	103,052	81,318	307,647	131,628
Current liabilities held for sale	-	13,759		
Commission liability			83,200	124,150
Convertible debt, net			228,539	-
Total current liabilities	1,092,590	1,249,149	1,525,630	1,664,743
Non-current Liabilities:				
Convertible debt	220,309	7,841,500		

Convertible debt, net			-	224,424
Accrued severance liability	325,000	-	325,000	325,000
Total liabilities	1,637,899	9,090,649	1,850,630	2,214,167
Commitments and Contingencies (Note 10)				
Stockholders' Equity:				
Common stock, \$0.0001 par value, 250,000,000 shares authorized; 7,874,962 and 3,179,789 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	786	318		
Common stock, \$0.0001 par value, 250,000,000 shares authorized; 9,450,220 shares issued and outstanding as of March 31, 2024 and December 31, 2023			945	945
Additional paid in capital	163,613,111	140,257,448	173,437,683	172,714,712
Accumulated deficit	(156,310,215)	(140,130,159)	(162,588,112)	(159,530,535)
Accumulated comprehensive income	12,384	155,929	16,702	12,624
Total stockholders' equity	7,316,066	283,536	10,867,218	13,197,746
Total liabilities and stockholders' equity	\$ 8,953,965	\$ 9,374,185	\$ 12,717,848	\$ 15,411,913

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,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Revenues:						
Verified software license	\$ 42,369	\$ 30,023	\$ 114,269	\$ 116,925		
Legacy authentication services	1,020	-	4,118	144,559		
Total revenues, net	43,389	30,023	118,387	261,484		
Revenues, net					157,378	37,856
Operating Expenses:						
General and administrative	2,965,344	3,914,432	5,712,303	11,583,798	2,062,361	822,755
Research and development	749,705	1,620,492	1,666,638	4,689,515	1,204,968	120,638
Depreciation and amortization	60,416	213,049	212,450	673,882	43,408	76,017
Total operating expenses	3,775,465	5,747,973	7,591,391	16,947,195	3,310,737	1,019,410
Loss from continuing operations	(3,732,076)	(5,717,950)	(7,473,004)	(16,685,711)	(3,153,359)	(981,554)
Other Income (Expense):						
Other income (expense)	29,511	(42,148)	30,671	(38,908)		
Interest expense, net	(13,138)	(437,301)	(1,095,320)	(931,205)	(13,138)	(800,073)
Conversion expense	-	-	(7,476,000)	-		
Loss on debt extinguishment	-	-	(380,741)	-		
Interest income					108,920	-
Other income (expense), net	16,373	(479,449)	(8,921,390)	(970,113)	95,782	(800,073)
Loss from continuing operations before income taxes	(3,715,703)	(6,197,399)	(16,394,394)	(17,655,824)	(3,057,577)	(1,781,627)
Income tax benefit (expense)	-	7,052	(3,255)	(1,048)		
Income tax expense					-	-
Loss from continuing operations	(3,715,703)	(6,190,347)	(16,397,649)	(17,656,872)	(3,057,577)	(1,781,627)

Gain (loss) from discontinued operations	(1,915)	43,645	1,524	(363,385)		
Gain (loss) on sale of discontinued operations	-	(188,247)	216,069	(188,247)		
Total gain (loss) from discontinued operations	(1,915)	(144,602)	217,593	(551,632)		
Loss from discontinued operations					-	(2,255)
Net loss	<u>\$ (3,717,618)</u>	<u>\$ (6,334,949)</u>	<u>\$ (16,180,056)</u>	<u>\$ (18,208,504)</u>	<u>\$ (3,057,577)</u>	<u>\$ (1,783,881)</u>
Net Loss Per Share - Basic and Diluted						
Continuing operations	<u>\$ (0.47)</u>	<u>\$ (2.00)</u>	<u>\$ (3.05)</u>	<u>\$ (5.80)</u>	<u>\$ (0.32)</u>	<u>\$ (0.56)</u>
Discontinued operations	<u>\$ (0.00)</u>	<u>\$ (0.05)</u>	<u>\$ 0.04</u>	<u>\$ (0.18)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted Average Shares Outstanding - Basic and Diluted:	<u>7,874,962</u>	<u>3,102,745</u>	<u>5,376,821</u>	<u>3,044,151</u>	<u>9,450,220</u>	<u>3,180,538</u>

See notes to condensed consolidated financial statements.

authID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Net Loss	\$ (3,717,618)	\$ (6,334,949)	\$ (16,180,056)	\$ (18,208,504)	\$ (3,057,577)	\$ (1,783,881)
Foreign currency translation (loss) gain	12,592	(37,383)	(143,545)	(72,431)		
Foreign currency translation gain (loss)					4,078	(24,066)
Comprehensive loss	<u>\$ (3,705,026)</u>	<u>\$ (6,372,332)</u>	<u>\$ (16,323,601)</u>	<u>\$ (18,280,935)</u>	<u>\$ (3,053,499)</u>	<u>\$ (1,807,947)</u>

See notes to condensed consolidated financial statements.

authID INC. AND SUBSIDIARIES

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

	Common Stock		Additional	Accumulated	Accumulated	
	Shares	Amount	Paid-in	Deficit	Other	Total
			Capital		Comprehensive	
					Income	
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)
Shares issued in lieu of interest	111,516	11	387,567	-	-	387,578
Warrants for services with securities purchase agreement	-	-	438,000	-	-	438,000
Conversion of convertible debt into common stock	2,348,347	235	15,331,776	-	-	15,332,011
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	6,321,293	-	-	6,321,491
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>
Balances, June 30, 2023 (as Revised - see Note 8)	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, 2021	2,926,655	\$ 293	\$ 126,583,738	\$ (115,899,939)	\$ 211,486	\$ 10,895,578
Stock-based compensation	-	-	6,726,871	-	-	6,726,871
Sale of common stock for cash, net of offering costs	132,940	13	3,146,927	-	-	3,146,940
Common stock issued with convertible debt	3,562	1	91,756	-	-	91,757
Common stock issued for working capital facility	12,500	1	302,999	-	-	303,000
Shares issued in lieu of interest	23,964	2	473,810	-	-	473,812

Warrants for services with the issuance of convertible debt	-	-	449,474	-	-	449,474
Cashless stock option exercise	23,139	2	(2)	-	-	-
Cashless warrant exercise	172	-	-	-	-	-
Warrant exercise for cash	4,584	1	66,002	-	-	66,003
Convertible note converted into common stock	1,689	1	49,999	-	-	50,000
Net loss	-	-	-	(18,208,504)	-	(18,208,504)
Foreign currency translation	-	-	-	-	(72,431)	(72,431)
Balances, September 30, 2022	<u>3,129,205</u>	<u>\$ 314</u>	<u>\$ 137,891,574</u>	<u>\$ (134,108,443)</u>	<u>\$ 139,055</u>	<u>\$ 3,922,500</u>
Balances, June 30, 2022	3,113,580	\$ 311	\$ 135,325,005	\$ (127,773,494)	\$ 176,438	\$ 7,728,260
Shares issued in lieu of interest	9,352	1	222,804	-	-	222,805
Stock-based compensation	-	-	2,227,764	-	-	2,227,764
Warrant exercise for cash	4,584	1	66,002	-	-	66,003
Convertible note converted into common stock	1,689	1	49,999	-	-	50,000
Net loss	-	-	-	(6,334,949)	-	(6,334,949)
Foreign currency translation	-	-	-	-	(37,383)	(37,383)
Balances, September 30, 2022	<u>3,129,205</u>	<u>\$ 314</u>	<u>\$ 137,891,574</u>	<u>\$ (134,108,443)</u>	<u>\$ 139,055</u>	<u>\$ 3,922,500</u>

	Common Stock		Additional	Accumulated	Accumulated Other	
	Shares	Amount	Paid-in Capital	Deficit	Comprehensive Income	Total
Balances, December 31, 2022	3,179,789	\$ 318	\$ 140,257,448	\$ (140,130,159)	\$ 155,929	\$ 283,536
Stock-based compensation	-	-	(2,598,592)	-	-	(2,598,592)
Shares issued in lieu of interest	68,186	7	222,420	-	-	222,427
Net loss	-	-	-	(1,783,881)	-	(1,783,881)
Foreign currency translation	-	-	-	-	(24,066)	(24,066)
Balances, March 31, 2023	<u>3,247,975</u>	<u>\$ 325</u>	<u>\$ 137,881,276</u>	<u>\$ (141,914,040)</u>	<u>\$ 131,863</u>	<u>\$ (3,900,576)</u>
Balances, December 31, 2023	9,450,220	\$ 945	\$ 172,714,712	\$ (159,530,535)	\$ 12,624	\$ 13,197,746
Stock-based compensation	-	-	722,971	-	-	722,971
Net loss	-	-	-	(3,057,577)	-	(3,057,577)
Foreign currency translation	-	-	-	-	4,078	4,078
Balances, March 31, 2024	<u>9,450,220</u>	<u>\$ 945</u>	<u>\$ 173,437,683</u>	<u>\$ (162,588,112)</u>	<u>\$ 16,702</u>	<u>\$ 10,867,218</u>

See notes to condensed consolidated financial statements.

authID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	\$ (16,180,056)	\$ (18,208,504)	\$ (3,057,577)	\$ (1,783,881)
Adjustments to reconcile net loss with cash flows from operations:				
Stock-based compensation			722,971	(2,598,592)
Depreciation and amortization expense	212,450	674,836	43,408	76,017
Provision for doubtful collection of other receivable	150,000	-		
Stock-based compensation	(22,949)	6,726,871		
Warrants for services with securities purchase agreement	438,000	-		
Amortization of debt discounts and issuance costs			4,115	567,287
Non-cash recruiting fees			-	492,000
Shares issued in lieu of interest	387,578	473,812	-	222,427
Amortization of debt discounts and issuance costs	693,420	403,244		
(Gain) loss from sale of discontinued operation	(216,069)	188,247		
Conversion expense	7,476,000	-		
Loss on debt extinguishment	380,741	-		
Other non-cash interest expense			-	8,250
Changes in operating assets and liabilities:				
Accounts receivable	212,977	(9,234)	(237,506)	206,419
Deferred contract costs	(66,300)	-	(44,368)	-
Other assets	66,676	(161,884)	(59,233)	106,600
Accounts payable and accrued expenses	(178,428)	235,050	(495,357)	155,371
Deferred revenue	21,734	(102,074)	176,019	(7,449)
Other accrued liabilities	290,000	-	-	325,000
Adjustments relating to discontinued operations	110,064	226,586	-	60,494
Net cash flows from operating activities	(6,224,162)	(9,553,050)	(2,947,528)	(2,170,057)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of discontinued operations, net of selling costs	91,751	146,728		
Cash disposed of from the sale of a discontinued operation	-	(299,505)		

Purchase of property and equipment - discontinued operations	-	(16,159)		
Purchase of property and equipment	-	(7,981)		
Purchase of intangible assets	(16,601)	(6,311)		
Net cash flows from investing activities	<u>75,150</u>	<u>(183,228)</u>		
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from sale of common stock, net of offering costs	6,321,492	3,146,940		
Credit facility drawdown, net of issuance costs	543,760	-	-	543,760
Proceeds from issuance of convertible note payable, net of issuance costs	-	7,992,841		
Proceeds from exercise of warrants	-	66,003		
Cash paid for working capital facility	-	(300,000)		
Payments on notes payable - discontinued operations	-	(1,579)		
Principal payments on capital lease obligation - discontinued operations	-	(10,582)		
Net cash flows from financing activities	<u>6,865,252</u>	<u>10,893,623</u>	<u>-</u>	<u>543,760</u>
Effect of Foreign Currencies	<u>(145,035)</u>	<u>(78,019)</u>	<u>(3,359)</u>	<u>(22,505)</u>
Net Change in Cash	571,205	1,079,326	(2,950,887)	(1,648,802)
Cash, Beginning of the Period	3,237,106	5,767,276	10,177,099	3,237,106
Cash, Beginning of the Period - Discontinued Operations	2,703	270,707	-	2,703
Cash, End of the Period - Discontinued Operations	-	(11,342)	-	(3,025)
Cash, End of the Period	<u>\$ 3,811,014</u>	<u>\$ 7,105,967</u>	<u>\$ 7,226,212</u>	<u>\$ 1,587,982</u>
Supplemental Disclosure of Cash Flow Information:				
Cash paid for interest - discontinued operations	<u>\$ 364</u>	<u>\$ 8,779</u>		
Cash paid for income taxes	<u>\$ 3,255</u>	<u>\$ 2,193</u>		
Cash paid for interest			<u>\$ 9,023</u>	<u>\$ -</u>
Cash paid for income taxes - discontinued operations	<u>\$ 1,254</u>	<u>\$ 4,493</u>	<u>\$ -</u>	<u>\$ 1,294</u>
Schedule of Non-cash Investing and Financing Activities:				
Conversion of convertible note payable and accrued interest to common stock	<u>\$ 7,856,011</u>	<u>\$ 6,232,340</u>		
Conversion of credit facility borrowings into common stock	<u>\$ 900,000</u>	<u>\$ -</u>		
Warrants for consulting services with the sale of common stock	<u>\$ 438,000</u>	<u>\$ -</u>		
Cashless option and warrant exercises	<u>\$ -</u>	<u>\$ 67</u>		
Settlement of accounts payable with issuance of common stock	<u>\$ -</u>	<u>\$ 349,376</u>		

Reclass from other assets to intangible assets	\$	-	\$	8,270
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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, 2022** **December 31, 2023**. The results of operations for the three **and nine** months ended **September 30, 2023** **March 31, 2024** are not necessarily indicative of the results to be expected for future periods or the full year.

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, 2023** **March 31, 2024**, the Company had an accumulated deficit of approximately **\$156.3 million** **\$162.6 million**. For the three **and nine** months ended **September 30, 2023** **March 31, 2024**, the Company earned revenue from continuing operations of approximately **\$0.04 million and \$0.12 million** **\$0.16 million**, used approximately **\$2.1 million and \$6.2 million** **\$2.9 million** to fund its operations, and incurred a net loss of approximately **\$3.7 million and \$16.2 million, respectively**, **\$3.1 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 acquiring new clients to generate revenues and cash flows.

During the nine months ended September 30, 2023, **In 2024 and 2025**, the Company **has secured plans to raise additional financing** of approximately **\$6.4 million net**, which provides funding for funds to support its **current operations and investments** as it **continues seeks to invest in its product, people, create a sustainable organization**. Our growth-oriented business plan to offer products to our customers will require continued capital investment and technology. Although there is no guarantee the Company projects that the investments will lead to revenue expansion thereby reducing liquidity needs. However, in order to further implement its business plan and satisfy its working capital requirements, the Company will need to raise additional capital. There is no guarantee that the Company **such financing** will be **able to raise additional equity available, or debt financing at available on acceptable terms, if at all, 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, we reclassified **certain** **approximately \$19,000 in Q1**

2023 expenses from research and development expenses to general and administrative expenses to research and development 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, 2023 March 31, 2024 and 2022 2023 because their effect was antidilutive:

Security	2023	2022	2024	2023
Convertible notes payable	8,278	325,188	8,277	308,287
Warrants	488,018	163,045	598,267	153,653
Stock options	1,685,570	1,212,202	1,880,971	993,208
	2,181,866	1,700,435	2,487,515	1,455,148

Revenue Recognition

Verified Software License– The Company recognizes revenue based on the identified performance obligations over the performance period for fixed consideration and / or variable fees generated that generated. Variable fees are typically earned on a usage fee based over time based on user monthly user or users, transaction volumes or on 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.

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 \$103,000 \$308,000 and \$81,000 \$132,000 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, for certain revenue that will be earned in future periods. All deferred revenue contract liabilities as of September 30, 2023 March 31, 2024 are expected to be earned over the next twelve months.

Remaining Performance Obligations

As of September 30, 2023 March 31, 2024, the Company’s Remaining Performance Obligation (RPO) was \$1.87 million \$4.03 million, of which \$0.10 million \$0.31 million is held as deferred revenue and \$1.77 million \$3.73 million is related to other non-cancelable non-cancellable contracted amounts. The Company expects approximately 34% 40% of the RPO to be recognized as revenue in over the next twelve months ending September 30, 2024 March 31, 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 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.

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. The following table summarizes deferred contract cost activity for the nine three months ended September 30, 2023 March 31, 2024:

	Deferred Contract Costs
Carrying Value at December 31, 2022	\$ -
Additions	66,300
Amortization	-
Carrying Value at September 30, 2023	\$ 66,300

Legacy Authentication Services – The Company historically has sold certain legacy software licenses to customers and revenue is recognized when delivery occurs, and all other revenue recognition criteria have been met. During both quarters ended September 30, 2023 and 2022, the Company provided annual software maintenance support services relating to previously licensed software on a stand-ready basis. These fees were billed in advance and recognized ratably over the requisite service period as revenue.

Revenue Accounting Pronouncement – In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, “Financial Instruments – Credit Losses (Topic),” which replaces the current incurred loss impairment methodology for most financial assets with the current expected credit loss, or CECL, methodology. The series of new guidance amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. The Company adopted the new standard effective January 1, 2023, which did not have a material impact to the consolidated financial statements.

	Deferred Contract Costs
Carrying Value at December 31, 2023	\$ 157,300
Additions	5,850
Amortization	(2,432)
Carrying Value at March 31, 2024	<u>\$ 160,718</u>

NOTE 2 – OTHER CURRENT **ASSETS AND OTHER** ASSETS

Other current assets consisted of the following at **September 30, 2023** **March 31, 2024** (unaudited) and **December 31, 2022** **December 31, 2023**:

	September 30, 2023	December 31, 2022
Prepaid insurance	\$ 295,188	\$ 244,215
Prepaid third party services	155,052	135,405
Unamortized credit facility fees	-	199,156
Other	23,938	150,566
	<u>\$ 474,178</u>	<u>\$ 729,342</u>

Other assets consisted of the following at September 30, 2023 (unaudited) and December 31, 2022:

	September 30, 2023	December 31, 2022
Unamortized working capital facility fees	\$ -	\$ 248,945
Other	-	1,438
	<u>\$ -</u>	<u>\$ 250,383</u>

	March 31, 2024	December 31, 2023
Prepaid insurance	\$ 73,797	\$ 184,492
Prepaid third party services	411,801	291,512
	<u>\$ 485,598</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, 2023** **March 31, 2024** (unaudited):

	Acquired and Developed Software	Patents	Total
Useful Lives	5 Years	10 Years	
Carrying Value at December 31, 2022	\$ 435,595	\$ 130,664	\$ 566,259
Acquisition of intangible assets	16,601	-	16,601
Amortization	(200,100)	(12,351)	(212,451)
Carrying Value at September 30, 2023	<u>\$ 252,096</u>	<u>\$ 118,313</u>	<u>\$ 370,409</u>

	Acquired and Developed Software	Patents	Total
Useful Lives	5 Years	10 Years	
Carrying Value at December 31, 2023	\$ 212,798	\$ 114,203	\$ 327,001
Amortization	(39,293)	(4,115)	(43,408)
Carrying Value at March 31, 2024	<u>\$ 173,505</u>	<u>\$ 110,088</u>	<u>\$ 283,593</u>

The following is a summary of intangible assets as of **September 30, 2023** **March 31, 2024** (unaudited):

	Acquired and Developed Software	Patents	Total	Acquired and Developed Software	Patents	Total
Cost	\$ 4,492,872	164,614	\$ 4,657,486	\$ 1,734,662	\$ 164,614	\$ 1,899,276
Accumulated amortization	(4,240,776)	(46,301)	(4,287,077)	(1,561,157)	(54,526)	(1,615,683)
Carrying Value at September 30, 2023	<u>\$ 252,096</u>	<u>\$ 118,313</u>	<u>\$ 370,409</u>			
Carrying Value at March 31, 2024				<u>\$ 173,505</u>	<u>\$ 110,088</u>	<u>\$ 283,593</u>

Amortization expense totaled approximately \$212,450 \$43,000 and \$642,000 \$76,000 for the nine three months ended September 30, 2023 March 31, 2024, and 2022, 2023, respectively.

Future expected amortization of intangible assets is as follows:

2023 (Remainder of the Year)	\$	51,458	
2024		171,414	
2024 (Remainder of the Year)			\$ 130,224
2025		67,111	69,328
2026		19,776	19,230
2027		9,776	16,461
2028			16,461
Thereafter		50,874	31,889
	\$	370,409	\$ 283,593

There is was no impairment indicator identified for impairment of the Company’s intangible assets and goodwill as of September 30, 2023 March 31, 2024.

NOTE 4 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following as of **September 30, 2023** **March 31, 2024** (unaudited) and **December 31, 2022** **December 31, 2023**:

	September 30, 2023	December 31, 2022
Trade payables	\$ 426,723	\$ 623,130
Accrued payroll and related obligations	113,494	145,837
Other accrued expenses	449,321	385,105
	\$ 989,538	\$ 1,154,072

On February 14, 2023, the Company’s Board of Directors resolved to implement a revised budget for 2023 in order to reduce expenses and cash requirements and as part of such revised budget decided to re-balance staffing levels to better align with the evolving needs of the Company (the “Labor Reduction Plan”). Under the Labor Reduction Plan, 12 employees and 6 contractors have left the Company. The Company has also given termination notice to certain vendors and contractors that provide services to the Company. For the nine months ended September 30, 2023, the Company incurred approximately \$0.8 million of severance expenses, of which \$0.4 million was paid and \$0.1 million was included in the Accounts payable and accrued expenses and the remaining \$0.3 million was accrued for in Other liabilities as a long term liability on the unaudited Condensed Consolidated Balance Sheets as of September 30, 2023.

NOTE 5 – WORKING CAPITAL FACILITY

On March 21, 2022, the Company entered into a Credit Facility Agreement (the “Original Facility Agreement”) with Stephen J. Garchik (“Garchik”), who is a shareholder of the Company, pursuant to which Garchik agreed to provide to the Company a \$10.0 million unsecured standby line of credit facility that could be drawn down in several tranches, subject to certain conditions described in the Original Facility Agreement. Pursuant to the Original Facility Agreement, the Company paid Garchik a Facility Commitment Fee of 12,500 shares of our common stock upon the effective date of the Original Facility Agreement.

On March 8, 2023, the Company entered into an Amended and Restated Facility Agreement (“A&R Facility Agreement”) with Garchik, pursuant to which the Company and Garchik amended and restated the Original Facility Agreement in its entirety, to replace the credit facility contemplated by the Original Facility Agreement with (i) an initial credit facility to the Company in an amount of \$900,000 and (ii) the parties to use their reasonable best efforts after the Initial Funding to negotiate the terms of a subsequent credit facility in the aggregate amount of \$2,700,000 (the “Subsequent Funding”).

On March 9, 2023, pursuant to the A&R Facility Agreement, the Company entered into a promissory note (the “Initial Promissory Note”) in favor of Garchik, pursuant to which Garchik loaned the amount of \$900,000 (the “Principal Amount”) to the Company. In connection with the Company and Garchik entering into the Initial Promissory Note, each of the principal United States based subsidiaries of the Company agreed to, for the benefit and security of Garchik, guarantee the payment and performance all of the Company’s obligations under the Initial Promissory Note and the Guaranty. The Company and Garchik also entered into the Release Agreement, pursuant to which the Company and Garchik mutually agreed to release any and all rights to make a claim against the other and any existing claims against the other arising out of or relating to the Original Facility Agreement.

The Company wrote-off approximately \$410,000 of the issuance costs related to the Original Credit Facility and capitalized \$426,000 issuance costs related to the A&R Facility Agreement as of March 31, 2023.

On May 25, 2023, the Company and Garchik agreed to cancel the Initial Promissory Note, terminate the A&R Facility Agreement and Guaranty and satisfy and offset the outstanding balance of the Initial Promissory Note, plus accrued and unpaid interest in the aggregate amount of \$929,250 against the purchase price of certain shares of common stock of the Company. See Note 8 “Shareholders’ Equity”. All remaining unamortized debt issuance costs of approximately \$381,000 related to the Initial Promissory Note and the A&R Facility Agreement were recorded as a loss on debt extinguishment for the nine months ended September 30, 2023.

	March 31, 2024	December 31, 2023

Trade payables	\$ 239,376	\$ 339,832
Accrued payroll and related obligations	412,965	707,317
Other accrued expenses	253,903	361,816
	<u>\$ 906,244</u>	<u>\$ 1,408,965</u>

NOTE 6 – CONVERTIBLE NOTES PAYABLE

On March 21, 2022, the Company entered into a Securities Purchase Agreement (“SPA”) with certain accredited investors, including certain directors of the Company or their affiliates (the “Note Investors”), and, pursuant to the SPA, sold to the Note Investors Senior Secured Convertible Notes (the “Convertible Notes”) with an aggregate initial principal amount of approximately \$9.2 million and a conversion price of \$29.60. The Convertible Notes were sold with an aggregate cash origination fee of approximately \$200,000, and we issued a total of approximately 3,563 shares of our common stock to the Note Investors as an additional origination fee. The Convertible Notes accrue interest at the rate of 9.75% per annum, which is payable in cash or, for some or all of the first five interest payments, in shares of our common stock at the Company’s option, on the last day of each calendar quarter before the maturity date and on the maturity date. The maturity date of the Convertible Notes is March 31, 2025.

During the quarter ended September 30, 2022, a holder of a Convertible Note converted the full principal amount of \$50,000 and accrued interest of \$406 into 1,706 shares of our common stock.

During the quarter ended September 30, 2022, the Company issued 9,335 shares of common stock for approximately \$223,000 of interest.

During the nine months ended September 30, 2023 and 2022, the Company issued 103,533 and 23,947 shares of common stock for approximately \$358,000 and \$474,000 of interest expense, respectively. The number of shares issued to each Note Investor was based on the VWAP of the common stock as of the relevant interest payment date, as defined in the Convertible Notes.

In connection with the issuance of the Convertible Notes, the Company issued 17,836 common stock warrants to a broker and its representatives with an estimated grant date fair value of approximately \$449,000 which was recorded as a reduction in the carrying value of the Convertible Notes.

On May 23, 2023, the Company entered into an exchange agreement with certain holders (“Holders”) of the Convertible Notes of the Company, pursuant to which the Company agreed to issue 2,346,105 shares of common stock to the Holders in exchange for approximately \$8.9 million (or approximately \$7.9 million, net of debt issuance costs and discount) of the principal amount of Holders’ Convertible Notes at a price of \$3.78 per share (or \$4.12 if the Holder is a director, officer or insider of the Company). On June 7, 2023, the Company entered into a further Securities Purchase Agreement and Exchange Agreement with an accredited investor pursuant to which the Company agreed to issue 2,242 Exchange Shares in exchange for \$13,000 of the principal amount of the Holder’s Convertible Note at a price of \$5.80 per share. The Company also recognized an expense on conversion of convertible notes of approximately \$7.5 million, representing the market value of the additional shares issued by the Company in exchange for the Convertible Notes, above the number of shares that the Holders would have received upon conversion at the original conversion price under the Convertible Notes.

On May 23, 2023, the Company solicited the consent of the Convertible Notes Holders to eliminate substantially all of the restrictive covenants and a related event of default in the Convertible Notes. The Company received consent from Holders representing over the necessary 66.67% of the outstanding principal amount under the Convertible Notes.

See Note 8 “Shareholders’ Equity”.

The following is a summary of the Convertible Notes payable outstanding as of September 30, 2023 (unaudited):

9.75% convertible notes due March 31, 2025	\$ 245,000
less:	
Unamortized debt issuance expense	(24,691)
	<u>\$ 220,309</u>
Future maturities of Convertible Notes payable as of September 30, 2023:	
2025	\$ 245,000
	<u>\$ 245,000</u>

NOTE 75 – RELATED PARTY TRANSACTIONS

Convertible Notes Payable

On May 23, 2023, pursuant to an Exchange Agreement, Mr. Ken Jisser converted \$100,000 of Convertible Notes payable and accrued interest of \$1,463 into 24,628 shares of common stock.

On May 23, 2023, pursuant to an Exchange Agreement, Mr. Stephen J. Garchik, who is a shareholder of the Company, converted \$1,000,000 of Convertible Notes payable and \$14,625 of accrued interest into 264,831 and 3,874 shares of common stock, respectively. As a result of such exchange, the issuance of shares in satisfaction of the Credit Facility referred to below and the purchase of additional shares of common stock in May 2023, (See Note 8 “Shareholders’ Equity”), Mr. Garchik is now a holder of more than 10% of the outstanding shares of the Company’s common stock.

See Note 6 “Convertible Notes Payable” and Note 8 “Shareholders’ Equity”.

Issuance of Common Stock

On May 23, 2023, Messrs. Rhoniel Daguro, CEO, Ken Jisser, Michael Thompson, members of the Company’s Board of Directors and Joseph Trelin, the Chairman of the Board, each purchased 12,500 shares of Company’s common stock at a price of \$50,000.

Credit Facility

On March 21, 2022 the Company entered into the Original Facility Agreement with Mr. Stephen Garchik, an accredited investor, who is both a current shareholder of the Company and a Note Investor, pursuant to which Mr. Garchik agreed to provide a \$10.0 million unsecured standby line of credit facility that will rank behind the Convertible Notes and may be drawn down in several tranches, subject to certain conditions described in the Original Facility Agreement. Pursuant to the Original Facility Agreement, the Company agreed to pay Mr. Garchik the Facility Commitment Fee of 12,500 shares of our common stock upon the effective date of the Original Facility Agreement. Upon request by Mr. Garchik and until the full amount due under the Original Agreement is repaid in full, the Company agreed to provide for the nomination of one designee specified in writing by Garchik for appointment to our board directors and for subsequent election to our board of directors and to recommend such nominee for election to our board of directors. On April 18, 2022, Joseph Trelin, as Garchik’s designee under the Original Facility Agreement, was appointed as a member of the Board of Directors of the Company. By virtue of such right of nomination Mr. Garchik considered himself a “director by deputization”.

As described in Note 5 “Working Capital Facility”, the Original Facility Agreement was amended and restated effective March 8, 2023 pursuant to which amendment the amount of the facility was reduced to \$3.6 million, an initial advance of \$900,000 was made and subsequent advances under the A&R Facility Agreement are subject to various conditions including the granting of a security interest over substantially all the Company’s assets. Under the A&R Facility Agreement Garchik had a one-time right for the nomination of four designees specified in writing by Garchik for appointment to our board of directors. On March 9, 2023 Rhoniel Daguro, Ken Jisser, Michael Thompson and Thomas Szoke as Garchik’s designees under the A&R Facility Agreement, were appointed as members of the Board of Directors of the Company.

On May 25, 2023, the Company and Mr. Garchik agreed to cancel the Initial Promissory Note, terminated the A&R Facility Agreement and Guaranty and satisfied and offset the outstanding balance of the Note in the principal amount of \$900,000 and \$29,250 accrued and unpaid interest with the purchase price of 245,634 and 7,983 shares of common stock, respectively. See Note 5 “Working Capital Facility” and Note 8 “Shareholders’ Equity”.

Executive Officers’ Agreements

Effective March 23, 2023, Mr. Thomas Thimot resigned as the Company’s Chief Executive Officer.

On March 23, 2023, the Company and Rhoniel A. Daguro, a director of the Company, entered an Offer Letter pursuant to which Mr. Daguro agreed to serve as Chief Executive Officer of the Company in consideration of an initial annual salary of \$400,000. Mr. Daguro will be eligible for an annual target bonus of up to \$375,000 based on performance milestones. For the period ending March 31, 2024, a bonus amount of \$75,000 shall be payable upon the Company achieving increments of \$1,000,000 in total contract value of all customer agreements less claw backs (“Bookings”) up to an aggregate of \$5,000,000 in Bookings. For subsequent years, Mr. Daguro and the Compensation Committee of the Board will mutually agree as to the performance targets to be achieved, to earn the annual bonus. On April 10, 2023, the Company provided Mr. Daguro with an initial grant of options to purchase 306,875 shares of common stock at the exercise price of \$3.176 per share for a period of ten years vesting subject to achievement of performance and service conditions. On June 28, 2023, the Company made an additional grant of options to Mr. Daguro to acquire 183,125 shares of common stock at the exercise price of \$5.48 for a period of ten years vesting subject to achievement of performance and service conditions.

The employment of Mr. Daguro is at will and may be terminated at any time, with or without formal cause. The Company also entered an Executive Retention Agreement with Mr. Daguro, pursuant to which the Company agreed to provide specified severance and bonus 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. Daguro is entitled to receive an amount equal to 100% of his base salary, the actual bonus earned but unpaid for the previous year and any bonus that was earned but unpaid prior to the termination date. Further, upon termination upon a change of control or an involuntary termination, the Company will reimburse Mr. Daguro for the cost of continuation of health coverage for Mr. Daguro and his eligible dependents pursuant to COBRA until the earlier of 12 months following the termination date, the date Mr. Daguro and his dependents are eligible for health coverage from a new employer or the date Mr. Daguro and his eligible dependents are no longer eligible for COBRA.

On April 25, 2022, Hang Pham and the Company entered an Offer Letter pursuant to which Ms. Pham agreed to serve as Chief Financial Officer with a planned employment date commencing June 20, 2022. Ms. Pham receives an annual salary of \$275,000. The Company agreed to provide a bonus of 40% of the base salary based on achievement of performance milestones, calculated and payable in accordance with the corporate milestones approved by the Board for the year 2022. For subsequent fiscal years the bonus shall be subject to performance targets to be mutually agreed with the Compensation Committee of the Board. In addition, Ms. Pham received a signing bonus in the amount of \$25,000, which is fully refundable to the Company if Ms. Pham leaves her employment voluntarily or is terminated for cause prior to the first anniversary of the commencement of employment. Upon commencing employment, Ms. Pham was granted an option to acquire 43,750 shares of common stock at an exercise price of \$19.28 with an exercise period of ten years subject to certain performance and market vesting requirements. On May 11, 2023, the Company entered a Retention Agreement with Ms. Pham, pursuant to which the Company agreed to provide specified retention bonus amounts subject to certain performance conditions in the aggregate amount of up to \$240,625 and to accelerate the vesting on her equity awards upon termination. This Agreement replaces the previous Executive Retention Agreement dated April 25, 2022, which was terminated and a release granted in relation thereto. Ms. Pham resigned as Chief Financial Officer effective August 15, 2023.

On April 12, 2023, the Company entered an Offer Letter with Thomas R. Szoke, a director of the Company, pursuant to which Mr. Szoke agreed to serve as Chief Technology Officer in consideration of an initial annual salary of \$250,000. Mr. Szoke received an initial signing bonus of \$20,833 and will be eligible for an annual target bonus of up to \$200,000 based on performance milestones. For the period ending March 31, 2024, a bonus amount of \$40,000 shall be payable upon our company achieving increments of \$1,000,000 in total contract value of all customer agreements less claw backs (“Bookings”) up to an aggregate of \$5,000,000 in Bookings. For subsequent years, Mr. Szoke and the Compensation Committee of the Board will mutually agree as to the performance targets to be achieved, to earn the annual bonus. The vesting criteria of Mr. Szoke’s Stock Options to acquire 12,500 shares of common stock previously granted to Mr. Szoke on March 14, 2023 (the “Original Grant”) were amended pursuant to an Amended and Restated Stock Non-Statutory Option Agreement providing for vesting subject to achievement of performance and service conditions. All other terms of the Original Grant were not changed. On June 28, 2023, the Company made an additional grant of options to Mr. Szoke to acquire 50,000 shares of common stock at the exercise price of \$5.48 per share for a period of ten years vesting subject to achievement of performance and service conditions.

The employment of Mr. Szoke is at will and may be terminated at any time, with or without formal cause. The Company also entered an Executive Retention Agreement with Mr. Szoke, pursuant to which the Company agreed to provide specified severance and bonus 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. Szoke is entitled to receive an amount equal to 100% of his base salary, the actual bonus earned but unpaid for the previous year and any bonus that was earned but unpaid prior to the termination date. Further, upon termination upon a change of control or an involuntary termination, the Company will reimburse Mr. Szoke for the cost of continuation of health coverage for Mr. Szoke and his eligible dependents pursuant to COBRA until the earlier of 12 months following the termination date, the date Mr. Szoke and his dependents are eligible for health coverage from a new employer or the date Mr. Szoke and his eligible dependents are no longer eligible for COBRA.

On July 31, 2023, the Company and Edward Sellitto entered an Offer Letter pursuant to which Mr. Sellitto agreed to serve as Chief Financial Officer of the Company commencing August 15, 2023 in consideration of an annual salary of \$250,000. Mr. Sellitto will be eligible for an annual target bonus of up to 60% of base salary based on achievement of performance milestones, as Mr. Sellitto and the Compensation Committee of the Board, will mutually agree for each year. The bonus shall be pro-rated for the year 2023. At the outset of employment, Mr. Sellitto was provided with a grant of options to purchase 50,000 shares of common stock vesting subject to achievement of performance and service conditions at an exercise price of \$8.87, with an exercise period of 10 years. The employment of Mr. Sellitto will be at will and may be terminated at any time, with or without formal cause.

Board of Directors

Messrs. Thomas Thimot, Phillip L. Kumnick, Philip R. Broenniman, Michael A. Gorriz On February 15, 2024, Mr. Joe Trelin tendered his resignation as Chairman and Ms. Neepa Patel tendered their resignations from the Board of Directors a Director of the Company, on March 9, 2023. The Board of Directors appointed Joseph Trelin to the Company’s Compensation and Audit Committees, effective immediately. On March 9, 2023 February 20, 2024, the Board board of Directors appointed Rhon Daguro, Ken Jisser, Michael Thompson and Thomas Szoke as additional directors of the Company (the “Board”) accepted his resignation and reduced agreed to vest the size unvested portion of the Board of Directors from 8 directors an option granted to 7 directors. The Company granted Messrs. Jisser, Thompson and Szoke 12,500 options each at the exercise price of \$2.64 per share. Mr. Trelin on June 28, 2023, amounting to 6,511 shares.

On March 16, 2023, the Company appointed Joseph Trelin as the Chairman of the Board, Michael Koehneman as Chairman of the Governance Committee and appointed Michael Thompson to the Company’s Compensation and Governance Committees.

On June 28, 2023, the Company granted 15,625 options each at the exercise price of \$5.48 per share to Messrs. Joseph Trelin, Michael Koehneman and Ms. Jacqueline White and 3,125 options each at the exercise price of \$5.48 to Messrs. Jisser and Thompson, in accordance with the Company’s compensation policy for non-employee directors. Each such option vests over a period of twelve months.

Services *Commercial* Agreements

Mr. Ken Jisser joined our Board of Directors on March 9, 2023. Mr. Jisser is the founder and Chief Executive Officer of The Pipeline Group, Inc. (“TPG”), a technology-enabled services company that assists the Company with pipeline generation. On June 6, 2023, the Company entered into a services agreement with TPG. The agreement provides that TPG assist in providing outsourced sales including business development resources for outbound calling, provide support for automated dialing technology, classify customer data and other sales related services. In consideration 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 March 31, 2024, the Company will pay TPG \$47,000 per month during held a one-year term. On October 25, 2023 the Agreement was amended balance of approximately \$163,000 in prepaid expenses related to provide for additional services and for the Company to pay TPG \$70,000 per month during the remainder of the term, this service agreement.

NOTE 86 – STOCKHOLDERS' EQUITY

On June 26, 2023, the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation to effect a one-for-eight (1-for-8) reverse split (the "Reverse Split") of the shares of the Company's common stock. The Reverse Split became effective on July 7, 2023 (see Note 11 "Subsequent Event"). As a result of the Reverse Split, every eight shares of the Company's issued and outstanding common stock automatically converted into one share of common stock, without any change in the par value per share, and began trading on a post-split basis under the Company's existing trading symbol, "AUID", when the market opened on July 10, 2023. The Reverse Split affected all holders of common stock uniformly and did not affect any common stockholder's percentage ownership interest in the Company, except for de minimis changes as a result of the elimination of fractional shares. A total of 62,816,330 shares of common stock were issued and outstanding immediately prior to the Reverse Split, and 7,874,962 shares of common stock were issued and outstanding immediately after the Reverse Split. No fractional shares will be were outstanding following the Reverse Split. Any holder who would have received a fractional share of common stock received an additional fraction of a share of common stock to round up their holding to the next whole share. In addition, effective as of the Reverse Split, proportionate adjustments were made to all then-outstanding options and warrants with respect to the number of shares of common stock subject to such options or warrants and the exercise prices thereof, as well as to the conversion price under the remaining Convertible Notes. The impact of this change in capital structure has been retroactively applied to all periods presented herein.

Common Stock

There was no common stock issued during the three months ended March 31, 2024.

During the nine months quarter ended September 30, 2023 March 31, 2023, the Company issued 68,186 shares of common stock were issued as a result for approximately \$222,000 of interest accrued under the following transactions: Convertible Notes.

- 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, respectively.
- 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. See Note 6 "Convertible Notes Payable".

Warrants

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

The following is a summary of the Company's There was no warrant activity for the nine three months ended September 30, 2023 (unaudited): March 31, 2024 and 2023. As of March 31, 2024, there are warrants to acquire 598,267 shares for a weighted average exercise price of \$11.89 per share with weighted average remaining life of 3.7 years.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding at December 31, 2022	153,683	\$ 36.96	2.21 Years
Granted	344,212	\$ 3.39	
Exercised/cancelled	(9,877)	\$ 39.60	
	488,018	\$ 13.22	3.94 Years

Stock Options

During the nine three months ended September 30, 2023 March 31, 2024, the Company granted directors a total of 78,125 options at exercise prices ranging from \$2.64 to \$5.48 per share. During the nine months ended September 30, 2023, the Company granted the Chief Executive Officer 490,000 options at exercise prices ranging from \$3.18 to \$5.48 per share, the Chief Technology Officer 62,500 options at exercise prices ranging from \$2.64 to \$5.48 per share and the Chief Financial Officer 50,000 options at an exercise price of \$8.87. During the nine months ended September 30, 2023 the Company also granted a total of 75,000 100,000 options to certain new employees at an exercise price of \$7.36 prices ranging from \$9.05 to \$9.61 per share.

During the nine three months ended September 30, 2023 March 31, 2024 the Company agreed to accelerate the vesting of 45,190 6,511 options for Annie Pham Mr. Joe Trelin under her Retention Agreement the terms of his resignation with an exercise prices ranging from \$6.32 to \$19.28 price of \$5.48 per share. These accelerated options would not otherwise have vested prior to termination of employment service according to their Market and Service conditions. Therefore, the Company recalculated the fair value of these options as of her his termination date of August 15, 2023 February 20, 2024 using the Black Scholes method.

The Company determined the grant date fair value of options granted for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, using the Black Scholes **and Monte Carlo Methods, Method**, as applicable, with the following assumptions:

Expected volatility	120-124%123%
Expected term	0.25 - 5 years
	3.52% -
	4.36%3.80% –
Risk free rate	4.03%
Dividend rate	0.00%

Activity related to stock options for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** (unaudited), is summarized as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (Yrs.)	Aggregate Intrinsic Value	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (Yrs.)	Aggregate Intrinsic Value
Outstanding at December 31, 2022	1,291,595	\$ 46.48	6.5	\$ -				
Outstanding at December 31, 2023					1,796,743	\$ 25.20	6.5	\$ 3,630,733
Granted	755,625	\$ 4.81	10.0	\$ 2,218,309	100,000	\$ 9.38	10.0	\$ -
Exercised	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Forfeited/cancelled	(361,650)	\$ 52.80	-	\$ -	(15,772)	\$ 13.35	4.3	\$ -
Outstanding as of September 30, 2023	1,685,570	\$ 25.85	6.7	\$ 2,334,011				
Exercisable as of September 30, 2023	1,004,499	\$ 44.36	4.9	\$ 876,503				
Outstanding as of March 31, 2024					1,880,971	\$ 24.23	6.4	\$ 2,163,663
Exercisable as of March 31, 2024					1,158,568	\$ 30.57	5.0	\$ 1,085,676

The following table summarizes stock option information as of **September 30, 2023** **March 31, 2024** (unaudited):

Exercise Price	Outstanding	Weighted Average Contractual Term (Yrs.)	Exercisable
Less than or equal \$32.00	1,280,216	7.3	709,283
\$32.08 - \$56.00	17,917	2.7	17,917
\$56.08 - \$80.00	222,792	6.1	131,820
\$80.08 - \$127.76	164,645	3.2	145,479
	<u>1,685,570</u>	<u>6.7</u>	<u>1,004,499</u>

Exercise Price	Outstanding	Weighted Average Contractual Term (Yrs.)	Exercisable
\$2.64 – \$5.00	354,379	8.8	171,103
\$5.01 – \$10.00	661,189	9.1	224,949
\$10.01 – \$15.00	43,703	2.7	43,703
\$15.01 – \$20.00	252,084	1.5	252,084
\$20.01 – \$121.28	569,616	4.1	466,729
	<u>1,880,971</u>	<u>6.1</u>	<u>1,158,568</u>

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, the Company recognized approximately **(\$0.02) million** **\$0.72 million** of stock **option based** **option-based** compensation expense. As of **September 30, 2023** **March 31, 2024**, there was approximately **\$3.2 million** **\$2.6 million** of unrecognized compensation costs related to stock options outstanding that will be expensed through 2026.

Revision of Prior Period Information

During the review of the Company's financial statements for the three and nine-month periods ended September 30, 2023, the Company identified errors in the recording of stock-based compensation expense relating to the three months ended March 31, 2023, related to reversing cumulative stock-based compensation recognized on stock awards with market vesting conditions due to Q1 2023 terminations. The Company recorded the following revisions in the nine-month period ended September 30, 2023. The following revisions will also be included to compare the three and six month periods ending March 31 and June 30, 2023 respectively to the 2024 results.

	Three Months Ended March 31, 2023			Six Months Ended June 30, 2023		
	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
Stock-based Compensation	\$ 837,608	\$ (3,438,613)	\$ (2,601,005)	\$ 1,895,712	\$ (3,438,613)	\$ (1,542,901)
Operating Expenses	\$ 4,458,022	\$ (3,438,613)	\$ 1,019,409	\$ 7,254,539	\$ (3,438,613)	\$ 3,815,926
Loss from Continuing Operations	\$ (5,220,239)	\$ 3,438,613	\$ (1,781,626)	\$ (16,120,559)	\$ 3,438,613	\$ (12,681,946)
Net Loss	\$ (5,222,494)	\$ 3,438,613	\$ (1,783,881)	\$ (15,901,051)	\$ 3,438,613	\$ (12,462,438)
APIC	\$ 141,317,627	\$ (3,438,613)	\$ 137,879,014	\$ 165,593,921	\$ (3,438,613)	\$ 162,155,308
Accumulated Deficit	\$ (145,352,653)	\$ 3,438,613	\$ (141,914,040)	\$ (156,031,210)	\$ 3,438,613	\$ (152,592,597)
Total Stockholders' Equity (Deficit)	\$ (3,900,576)	\$ -	\$ (3,900,576)	\$ 9,563,289	\$ -	\$ 9,563,289
Net Loss Per Share from Continuing Operations						
Basic and Diluted	\$ (1.61)	\$ 1.06	\$ (0.55)	\$ (3.91)	\$ 0.83	\$ (3.08)

In accordance with the SEC's Staff Accounting Bulletin Nos. 99 and 108 ("SAB 99" and "SAB 108"), the Company evaluated this error and concluded that although the adjustment to certain areas of the statement of operations was quantitatively material, the cumulative effects were qualitatively immaterial and would not have materially impacted a reasonable investor's opinion of the Company. This is further supported by the fact that the impact would not have been significant in comparison to prior periods and all errors are of a non-cash nature. Therefore, as permitted by SAB 108 and treated under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 250, Accounting Changes and Error Corrections, the Company revised previously recorded results for the three months ended March 31, 2023 and the six months ended June 30, 2023, to account for the prior period error in this current filing.

As a result, the statement of operations for the three and nine month periods ended September 30, 2023 reflects the revised expenses, loss from continuing operations and net loss. 2027.

NOTE 9 – DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

The Board of Directors of authID considered it in the best interests of the Company to focus its business activities on providing biometric authentication products and services by means of our proprietary Verified platform. Accordingly, 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 and the Cards Plus cards manufacturing and printing business in South Africa.

Cards Plus business in South Africa

The financial statements of Cards Plus are classified as a discontinued operation and an asset held for sale, as all required classification criteria under appropriate accounting standards were met as of June 30, 2022.

On August 29, 2022, the Company completed the sale of Cards Plus for a price of \$300,000 of which \$150,000 was received and the remaining balance of \$150,000 was recorded in other current asset, less \$3,272 in costs to sell, and recognized a loss of \$188,247 from the transaction. While the Company and Cards Plus continue to actively pursue payment of the remaining balance, which is subject to regulatory approval, management re-evaluated the likelihood of recovery and recorded an allowance for doubtful account in September 30, 2023 related to this receivable.

MultiPay business in Colombia

The Company exited the MultiPay business in Colombia in an orderly fashion, honoring our obligations to employees, customers and under applicable laws and regulations. We maintain our customer support and operations team in Bogota, which performs essential functions to support the global operations of our Verified product.

As of June 30, 2023, all impacted employees had left the Company. MultiPay finalized the sale of the Company’s proprietary software to its major customer on June 30, 2023 for approximately \$96,000 of sale consideration. The Company recorded the receivable under the sale in Other current assets, released foreign currency translation gain of approximately \$155,000 and recognized a gain of \$216,000 from the transaction. This receivable was collected in September 2023.

The following table summarizes the assets and liabilities of the MultiPay sale and the consideration received (unaudited):

	Amount
Carrying value of net assets sold:	
Property and equipment write-off	\$ 19,528
Net assets write-off	\$ 19,528
Sale consideration on disposition of net assets:	
Sale consideration	\$ 95,852
Less: Value added tax	(15,304)
Net Consideration	\$ 80,548
Foreign currency translation:	\$ 155,049
Net gain on sale of a discontinued operation	\$ 216,069

The operations of Cards Plus and MultiPay for the three and nine months ended September 30, 2023 and 2022 on a consolidated basis are below (unaudited):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<u>Discontinued Operations</u>				
Total Revenues, net	\$ -	\$ 446,643	\$ 29,354	\$ 1,468,199
Operating Expenses:				
Cost of Sales	-	145,205	-	665,269
General and administrative	-	276,866	12,268	1,003,003
Impairment loss	-	-	-	143,698
Depreciation and amortization	-	(6,749)	8,066	33,025
Total operating expenses	-	415,322	20,334	1,844,995
Income (Loss) from operations	-	31,321	9,020	(376,796)
Other Income (Expense):				
Other income	-	12,792	-	20,821
Interest expense, net	-	-	-	(364)
Other income (expense), net	-	12,792	-	20,457
Loss before income taxes	-	44,113	9,020	(356,339)
Income tax expense	(1,915)	(468)	(7,496)	(7,046)
Income (loss) from discontinued operations	(1,915)	43,645	1,524	(363,385)
Loss (gain) from sale of discontinued operations	-	(188,247)	216,069	(188,247)
Total income (loss) from discontinued operations	\$ (1,915)	\$ (144,602)	\$ 217,593	\$ (551,632)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<u>Cards Plus</u>				
Total Revenues, net	\$ -	\$ 380,372	\$ -	\$ 1,263,672
Operating Expenses:				
Cost of Sales	-	145,205	-	665,269
General and administrative	-	21,539	-	412,243
Impairment loss	-	-	-	143,698
Depreciation and amortization	-	(1,482)	-	24,415
Total operating expenses	-	165,262	-	1,245,625
Income (loss) from operations	-	215,110	-	18,047
Other Income (Expense):				
Other income	-	2,103	-	8,919
Interest expense, net	-	-	-	(364)
Other income, net	-	2,103	-	8,555
Loss before income taxes	-	217,213	-	26,602
Income tax expense	-	-	-	(4,681)
Income from discontinued operations	-	217,213	-	21,921
Loss from sale of discontinued operations	-	(188,247)	-	(188,247)
Total Income (Loss) from discontinued operations	\$ -	\$ 28,966	\$ -	\$ (166,326)
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<u>MultiPay</u>				
Total Revenues, net	\$ -	\$ 66,271	\$ 29,354	\$ 204,527
Operating Expenses:				
General and administrative	-	255,327	12,268	590,760
Depreciation and amortization	-	(5,267)	8,066	8,610
Total operating expenses	-	250,060	20,334	599,370
Loss from operations	-	(183,789)	9,020	(394,843)
Other Income:				
Other income	-	10,689	-	11,902
Other income	-	10,689	-	11,902
Loss before income taxes	-	(173,100)	9,020	(382,941)

Income tax expense	<u>(1,915)</u>	<u>(468)</u>	<u>(7,496)</u>	<u>(2,365)</u>
Income (loss) from discontinued operations	(1,915)	(173,568)	1,524	(385,306)
Gain from sale of discontinued operations	-	-	216,069	-
Total Income (loss) from discontinued operations	<u>\$ (1,915)</u>	<u>\$ (173,568)</u>	<u>\$ 217,593</u>	<u>\$ (385,306)</u>

As a result of meeting the discontinued operations/assets held for sale criteria for Cards Plus and the MultiPay operations, the cash flow activity related to discontinued operations is presented separately on the statement of cash flows as summarized below (unaudited):

	Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ 1,524	\$ (363,385)
Adjustments to reconcile net loss with cash flows from operations:		
Depreciation and amortization expense	8,067	42,364
Impairment of intangible assets	-	143,701
Changes in operating assets and liabilities:		
Accounts receivable	105,194	(14,288)
Other current assets	10,562	186,370
Inventory	-	(78,806)
Accounts payable and accrued expenses	(13,759)	(16,092)
Deferred revenue	-	(36,663)
Adjustments relating to discontinued operations	110,064	226,586
Cash flows from discontinued operations	<u>\$ 111,588</u>	<u>\$ (136,799)</u>

Notes to Financial Statements – Discontinued Operations

Revenue Recognition

Cards Plus – The Company recognized revenue for the design and production of cards at the point in time when products are shipped, or services have been performed due to the short-term nature of the contracts. Additionally, the cards produced by the Company have no alternative use and the Company has an enforceable right to payment for work performed should the contract be cancelled.

MultiPay recognized revenue for variable fees generated for payment processing solutions that are earned on a usage fee over time based on monthly transaction volumes or on a monthly flat fee rate. Additionally, MultiPay also sells certain equipment from time to time for which revenue is recognized upon delivery to the customer.

NOTE 107 – 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.

Leases

The Company rented office space in Long Beach, New York at a monthly cost of \$2,500 in 2022. The agreement was month to month and could be terminated on 30 days notice. The lease agreement was terminated in July 2022. The agreement was between the Company and Bridgeworks LLC, an entity principally owned by Mr. Beck, the Company's former CEO and Director and his family.

In July 2022, the Company signed a new lease agreement for one year and moved its headquarters to Denver, Colorado. The office monthly lease cost is approximately \$1,500 per month. The Company did not renew the lease agreement after July 2023 and has no remaining lease agreements as of September 30, 2023. July 2023.

Rent expense included in general and administrative on the Consolidated Statements of Operations for the nine three months ended September 30, 2023 March 31, 2024 was approximately \$8,000. For \$1,000, compared with \$5,000 for the nine three months ended September 30, 2022, rent expense was approximately \$80,000, inclusive of short-term leases of which \$13,000 was for continuing operations and \$67,000 for discontinued operations. March 31, 2023.

NOTE 118 – SUBSEQUENT EVENT

Management of the Company has performed a review of all events and transactions occurring after the condensed consolidated balance sheet date and determined there were no events or transactions requiring adjustment to or disclosure in the accompanying condensed consolidated financial statements.

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 Inc. is a leading provider of secure, authentication solutions delivered by our easy to integrate Verified platform. Our Verified platform binds strong passwordless authentication with biometric identity, which offers our customers a streamlined path to zero trust architecture. Verified FIDO2 passwordless authentication is certified by the FIDO Alliance to be compliant and interoperable with FIDO specifications.

The explosive growth in online and mobile commerce, telemedicine, remote working and digital activities of all descriptions is self-evident to everyone who lived through the Covid 19 pandemic since 2020. Identity theft, phishing attacks, spear-phishing, password vulnerabilities, account takeovers, benefits fraud - it seems like these words have entered our daily lexicon overnight. These are significant impediments to the operations and growth of any business or organization, and dealing with the risks and consequences of these criminal activities has created significant friction in both time, cost and lost opportunity. Consider all the outdated methods that organizations have implemented in order to prevent fraud. The requests to receive and enter one-time passwords, that can be easily hijacked. The vulnerable security questions you get asked – whether on-line or when reaching out to a call center – what was your first pet's name? who was your best friend in high school? These steps all add up to friction, making it difficult for consumers to login, transact and execute daily tasks, with little added protection from fraud. Surely there is a better way to address these challenges? authID believes there is.

authID provides secure, facial biometric, identity verification, and strong customer authentication. We maintain a global, cloud-based Verified platform for our enterprise customers or employees to enable their users to easily verify and authenticate their identity through a mobile device or desktop (with camera) of their choosing (without requiring dedicated hardware, or authentication apps). We can help our customers establish a proven identity, creating a root of trust that ensures the highest level of assurance for our passwordless login and step-up verification products. Our system enables participants to consent to transactions using their biometric information with a digitally signed authentication response, embedding the underlying transaction data and each user's identity attributes within every electronic transaction message processed through our platform.

Digital transformation across all market segments requires trusted identity. Our identity platform offers innovative solutions that are flexible, fast and easy to integrate and offer seamless user experiences. authID's products help advance digital transformation efforts without the fear of identity fraud, while delivering frictionless user experiences. We believe that it is also essential that electronic transactions have an audit trail, proving that the identity of the individual was duly authenticated. Our platform provides biometric and multi-factor identity software, which are intended to establish, authenticate and verify identity across a wide range of use cases and electronic transactions.

authID's products focus on the broad requirement for enabling frictionless commerce by allowing an entity to instantly 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 customer, employee accounts, or their member. Organizations 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 all descriptions require cost-effective and secure means of growing their business while mitigating identity fraud. We aim to offer our enterprise customers products that can be integrated easily into each of their business and organizational operations, in order to facilitate their adoption and enhance the end user customer experience, today's digital ecosystems.

Our management believes that some Platform

Our Verified™ 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 the advantages of our Verified Platform approach are the ability to leverage the platform to support a user based on a variety of vertical markets 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 Verified™ platform detects presentation attack and spoofing threats, evaluates the adaptability authenticity of security features present on a government-issued identity document, and biometrically matches the reference picture of the platform to document with a live user's selfie (a photograph that the requirements user has taken of new markets 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 Proof™ identity verification product eliminates the need for costly and new products requiring cost-effective, secure, less accurate face-to-face, in-person ID checks and configurable mobile solutions. Our target markets include cybersecurity, workforce, banking, fintech instead provides a verified identity in seconds. In a digital, online world of increasing fraud and other disrupters of traditional commerce, small security threats, Proof speeds up onboarding and medium sized businesses, and system integrators working with government and Fortune 1000 enterprises. At its core, the Company's offering, combining its proprietary and acquired biometric and artificial intelligence technologies (or AI), is intended to facilitate frictionless commerce, whether offers our customers confidence in the physical identities of consumers, employees or digital world, 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 Company intends authID Verified product allows users to increase its investment in developing, patenting 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 acquiring the various elements necessary to enhance the platform, which are intended to allow us to achieve our goals. One of the principal intended areas of investment is to enhance and expand our use of artificial intelligence in proprietary software, that we believe will increase our value to enterprise customers and stockholders alike, consent.

authID Account Access and Recovery

authID's Verified biometric identity authentication solution allows users to recover, via a facial biometric, account access that is dedicated lost or blocked due to developing advanced methods expired credentials, lockouts, lost or stolen devices, or compromised accounts. Because the account owner's root of protecting consumer privacy trust is established in the cloud, recovery is independent of any device or hardware. In this way, account recovery is instant, portable, and deploying ethical and socially responsible AI.. We believe that does not require the presence of or access to a proactive commitment previously provisioned device in order to ethical AI presents secure access from a strong business opportunity for authID and will enable us to bring more accurate products to market more quickly and with less risk to better serve our global user base. Our methods to achieve ethical AI include engaging the users of our products with informed consent, prioritizing the security of our user's personal information, considering and avoiding potential bias in our algorithms, and monitoring of algorithm performance in our applications, different device.

The Company also owns an entity in Colombia, MultiPay. 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.

Discontinued Operations

On May 4, 2022, the Board of Directors of authID (the "Board" or the "Board of Directors") approved a plan to exit from certain non-core activities comprising the MultiPay correspondent bank payments services in Colombia and the Cards Plus cards manufacturing and printing business in South Africa, Colombia. On August 29, 2022 June 30, 2023, the Company completed the sale of Cards Plus business. On June 30, 2023 its legacy payments software by MultiPay. MultiPay S.A.S., and IDGS S.A.S operations are presented as discontinued operations in the Company completed Consolidated Statements of Operations during the exit year ended December 31, 2023, as they met the criteria for discontinued operations under applicable accounting guidance.

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 MultiPay business. See Discontinued Operations. 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 Common Stock corporate headquarters is traded on the Nasdaq Capital Market under the trading symbol "AUID". Our main address is located at 1580 North Logan Street, Suite 660, Unit 51767, Denver, CO 80203 and our main phone number is (516) 274-8700. We maintain a Our website at www.authID.ai. address is www.authid.ai. The information contained on, or that can be accessed through, our websites website is not incorporated by reference into this prospectus Form 10-Q and is intended for informational purposes only. 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, 2023 March 31, 2024, the Company had an accumulated deficit of approximately \$156.3 million \$162.6 million. For the nine three months ended September 30, 2023 March 31, 2024, the Company earned revenue from continuing operations of approximately \$0.12 million \$0.16 million, used \$6.2 million approximately \$2.9 million to fund its operations, and incurred a net loss from continuing operations of approximately \$16.4 million \$3.1 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.

During the nine months ended September 30, 2023, In 2024 and 2025, the Company has secured plans to raise additional financing of approximately \$6.4 million net, which provides funding for funds to support its current operations and investments as it continues seeks to invest in its product, people, create a sustainable organization. Our growth-oriented business plan to offer products to our customers will require continued capital investment and technology. Although there is no guarantee the Company projects that the investments will lead to revenue expansion thereby reducing liquidity needs. However, in order to further implement its business plan and satisfy its working capital requirements, the Company will need to raise additional capital. There is no guarantee that the Company such financing will be able to raise additional equity available, or debt financing at available on acceptable terms, if at all, 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:

	For the		For the	
	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Loss from continuing operations	\$ (3,715,703)	\$ (6,190,347)	\$ (16,397,649)	\$ (17,656,872)
Addback:				
Interest expense, net	13,138	437,301	1,095,320	931,205
Other expense (income)	(29,511)	42,148	(30,671)	38,908
Conversion expense	-	-	7,476,000	-
Loss on debt extinguishment	-	-	380,741	-
Severance cost	22,448	-	850,813	150,000
Depreciation and amortization	60,416	213,049	212,450	673,882
Taxes	-	(7,052)	3,255	1,048
Non-cash recruiting fees	-	-	438,000	-
Stock compensation	1,519,952	2,227,764	(22,949)	6,726,871
Adjusted EBITDA continuing operations (Non-GAAP)	<u>\$ (2,129,260)</u>	<u>\$ (3,277,137)</u>	<u>\$ (5,994,690)</u>	<u>\$ (9,134,958)</u>

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Loss from continuing operations	\$ (3,057,577)	\$ (1,781,627)
Addback:		
Interest expense, net	13,138	800,073
Interest income	(108,920)	-
Severance cost	-	811,041
Depreciation and amortization	43,408	76,017
Non-cash recruiting fees	-	492,000
Stock compensation	722,971	(2,598,591)
Adjusted EBITDA continuing operations (Non-GAAP)	<u>\$ (2,386,980)</u>	<u>\$ (2,201,087)</u>

Three and Nine Months Ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 – Continuing Operations

Revenues, net

During the three and nine months ended September 30, 2023 March 31, 2024, the Company's revenues from Verified software licenses were approximately \$42,000 and \$114,000 \$157,000 compared to approximately \$30,000 and \$117,000 \$38,000 in the three and nine months ended September 30, 2022.

Legacy authentication services revenues were approximately \$1,000 and \$4,000, respectively during March 31, 2023, principally due to the three months and nine months ended September 30, 2023 compared to approximately \$0 and \$145,000, respectively for recognition of revenue from new customer contracts signed in the three months and nine months ended September 30, 2022. Revenue from Legacy authentication services dropped significantly as the Company phased out older product offerings in 2022. 2nd half of 2023.

General and administrative expenses

During the three and nine months ended September 30, 2023 March 31, 2024 compared to the three and nine months ended September 30, 2022 March 31, 2023, general and administrative expense decreased increased by approximately \$0.9 million \$1.2 million. This was comprised of a one-time event, representing 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 and \$5.9 million principally an approximately \$1.3 million reduction in expense due to cost savings from the Company's Labor Reduction Plan, other cost saving measures resulting in lower headcount costs and lower third party vendors costs, 2023 restructuring initiative.

Research and development expenses

During the three-month and nine-month periods period ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023, research and development expenses decreased increased by approximately \$0.9 million and \$3.0 million as \$1.1 million, principally related to the Company implemented the Labor Reduction Plan, decreased staffing and third party resources, 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, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023, depreciation and amortization expense was approximately \$0.15 and \$0.5 million \$0.03 million less as the Company reduced the value of certain legacy business asset values.

Interest expense, net

Interest expense, net includes interest expense, debt issuance and discount amortization expense. Interest expense decreased by approximately \$0.4 million \$0.8 million during the three-month period ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023 principally due to the exchange of Convertible Notes for common stock in May 2023. Interest expense increased by approximately \$0.2 million during the nine months ended September 30, 2023 due to the issuance of \$9.2 million of Convertible Notes in late March 2022, the majority of which was exchanged for common stock in May 2023.

Loss on debt extinguishment

During the nine months ended September 30, 2023, loss on debt extinguishment increased by approximately \$0.4 million due to the write-off of unamortized debt issuance costs related to the Initial Promissory Note as the note balance was capitalized and extinguished in the periods. See Note 5 to the unaudited condensed consolidated financial statements “Working Capital Facility”.

Conversion expense

During the nine months ended September 30, 2023, conversion expense was approximately \$7.5 million as a result of the additional shares issued by the Company in exchange for the Convertible Notes, above the number of shares that the Holders would have received upon conversion at the original conversion price under the Convertible Notes. See Note 6 to the unaudited condensed consolidated financial statements “Convertible Notes Payable”.

Three and Nine Months Ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 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 and the Card Plus cards manufacturing and printing business in South Africa, Colombia.

Cards Plus business in South Africa

On August 29, 2022, the Company completed the sale of Cards Plus business for a price of \$300,000, less \$3,272 in costs to sell, and recognized a loss of \$188,247 from the transaction. Of the \$300,000 gross proceeds, \$150,000 was paid on closing and the remaining balance of \$150,000 was recorded in other current assets as of September 30, 2023. While the Company and Cards Plus continue to actively pursue payment of the remaining balance, which is subject to regulatory approval, management re-evaluated the likelihood of recovery and recorded an allowance for doubtful account in September 30, 2023 related to this receivable.

MultiPay business in Colombia

On June 30, 2023, the Company completed 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 software for a price in Colombia, it still maintains an authID customer support and operations team in Bogota which performs essential functions to support the global operations of approximately \$96,000 including VAT, less \$20,000 in fixed assets write-off, and recognized approximately \$216,000 net gain from the transaction. The gross proceeds have been collected as of September 30, 2023. our Verified product.

Liquidity and Capital Resources

The Company has approximately \$3.8 million \$7.2 million of cash on hand and approximately \$3.3 million \$6.7 million of working capital as of September 30, 2023 March 31, 2024.

Cash used in operating activities was approximately \$6.2 million \$2.9 million and \$9.6 million \$2.2 million in the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Cash The Company did not have any cash flows from investing activities for the nine three months ended September 30, 2023 was approximately \$17,000 for purchases of intangible assets March 31, 2024 and net cash used in investing activities for the nine months ended September 30, 2022 was approximately \$183,000 for from cash disposed from sale of a continued operation, net of proceeds received from sale of discontinued operations. 2023.

Cash provided by financing activities in the nine three months ended September 30, 2023 March 31, 2023 consisted of approximately \$6.3 million in proceeds \$0.5 million from the sale of common stock, net of offering costs, and \$0.5 million an initial drawdown net of debt issuance costs under the Company's A&R Facility Agreement.

Cash provided by financing activities in the nine months ended September 30, 2022 consisted of approximately \$3.1 million net proceeds from sale of common stock, net of offering costs In 2024 and approximately \$8 million net proceeds from issuance of Convertible Notes.

In 2023 and 2024, 2025, the Company will need to raise additional funds to support its operations and investments as it seeks to create a sustainable organization. There 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. Our growth-oriented business plan to offer products to our customers will require continued capital investment. Research and development activities and technology deployment will require continued investment. We have raised approximately \$6.4 million in 2023 (net of offering costs), through equity and debt financing at varying terms, which provides funding for our current operations as the Company continues to invest in its product, people, and technology. In order to further implement its business plan and satisfy its working capital requirements, the Company will need to raise additional capital. There is no guarantee that the Company will be able to raise additional equity or debt financing at acceptable terms, if at all.

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.

Covid 19

Covid-19 emerged globally in December 2019, and it has been declared a pandemic. Covid-19 is still impacting customers, business, results and financial condition throughout the world. The Company's day-to-day operations have been impacted differently depending on geographic location and services that are being performed. The Company cannot predict the potential impact of any future pandemics.

Ukraine and the Middle East

The ongoing war in Ukraine and the war recently commenced in the Middle East following the terrorist attack by Hamas, may impact the Company and its operations in a number of different ways, which are yet to be fully assessed and are therefore causing uncertainty. The Company's principal concern is for the safety of the personnel who support 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, including Ukraine, Europe. The Company also works with outsourced engineers and developers and third-party providers in other parts of the world, including the United States, Eastern Europe, India, and Pakistan, Latin America. While the continuing impact of these conflicts this conflict and the response of the United States and other countries to them it by means of trade and economic sanctions, or other actions is still unknown, any disruption of it could disrupt our ability to work with such contractors caused by these conflicts could require certain contractors. The Company has taken steps to diversify its sub-contractor base, which may in the Company to seek alternative sub-contractors at short notice, which may 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 them 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 Russia or other countries 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 situations situation in Europe and the Middle East unfold, 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 on 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, 2023 March 31, 2024, as a result of a material weakness discussed below, the Company's disclosure controls and procedures were not 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.

Material Weakness in Internal Control Over Financial Reporting

During the quarter ended June 30, 2023, the Company identified a material weakness in its internal control over financial reporting related to the review of accounting treatment for the Convertible Notes conversion transaction, which occurred during the period. The Convertible Note conversion transaction which gave rise to this issue (See Note 6 "Convertible Notes Payable") was a complex and infrequent transaction, which requires particular accounting treatment. The correct accounting treatment was not immediately identified by the Company, due to the Company's limited resources available for advanced technical analysis and advice, similar to other companies of our size. The correct accounting treatment was identified and reflected prior to filing of the quarterly report on Form 10-Q for the quarter ended June 30, 2023 and no previously published financial statements were impacted by this issue.

Our plan to remediate this material weakness is to undertake a review of the Company's activities during each quarter in order to identify any potential complex accounting matters and then to engage a CPA advisory firm to review the proposed accounting treatment on any complex accounting matters that may arise in the future.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. .

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 three months ended September 30, 2023 March 31, 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, 2022** **December 31, 2023**. Except as set forth below, which discusses a material weakness in our control over financial reporting as of September 30, 2023, and the recent outbreak of war in the Middle East following the terrorist attack by Hamas, there **There** has been no material change in our risk factors from those previously discussed in the Annual Report on Form 10-K. We operate in a business environment that is sensitive to political, economic and regulatory uncertainty, including with respect to cybersecurity and infrastructure investment, all of which may also be compounded by any future global impact from the COVID-19 pandemic, the continuing wars in Ukraine and the Middle East and inflationary pressures, rising energy prices and increases in interest rates (see “Covid 19” and “Ukraine and the Middle East” above).

Our business is subject to changing regulations regarding corporate governance, disclosure controls, internal control over financial reporting and other compliance areas that will increase both our costs and the risk of noncompliance. If we fail to comply with these regulations, we could face difficulties in preparing and filing timely and accurate financial reports.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act and the Dodd-Frank Act. We are also subject to the corporate governance and other listing rules of the Nasdaq Stock Market. Maintaining compliance with these rules and regulations, particularly after we cease to be an emerging growth company, will increase our legal, accounting and financial compliance costs, will make some activities more difficult, time-consuming and costly and may also place increased strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and at the time we cease to be an emerging growth company and a smaller reporting company, we will be required to provide attestation that we maintain effective disclosure controls and procedures by our registered public accounting firm. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations. Any failure to implement and maintain effective internal control also could adversely affect the results of periodic management evaluations regarding the effectiveness of our internal control over financial reporting that are required to include in our periodic reports filed with the SEC, under Section 404(a) of the Sarbanes-Oxley Act or the annual auditor attestation reports regarding effectiveness of our internal controls over financial reporting that we will be required to include in our periodic reports filed with the SEC upon our ceasing to be an emerging growth company and a smaller reporting company, unless, under the JOBS Act, we meet certain criteria that would require such reports to be included prior to then, under Section 404(b) of the Sarbanes-Oxley Act. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of shares of our Common Stock.

In order to maintain the effectiveness of our disclosure controls and procedures and internal control over financial reporting going forward, we will need to expend significant resources and provide significant management oversight. There is a substantial effort involved in continuing to implement appropriate processes, document our system of internal control over relevant processes, assess their design, remediate any deficiencies identified and test their operation. As a result, management's attention may be diverted from other business concerns, which could harm our business, operating results and financial condition. These efforts will also involve substantial accounting-related costs. We may experience difficulty in meeting these reporting requirements in a timely manner.

As disclosed in Item 4 of this Quarterly Report, we had a material weakness in our control over financial reporting as of September 30, 2023. Management has taken action to implement a plan to remediate the various elements of this material weakness, with immediate effect in relation to the financial statements for the quarter and nine months ending September 30, 2023. The remediation plan is to undertake a review of the Company's activities during each quarter in order to identify any potential complex accounting matters and then to engage a CPA advisory firm to review the proposed accounting treatment on any complex accounting matters that may arise in the future. The Company engaged a CPA advisory firm to advise on certain complex accounting matters with respect to the financial statements for the three and nine month periods ending and as of September 30, 2023.

If we are unable to appropriately implement and maintain this remediation plan and maintain any other necessary controls currently in place or that we implement in the future and pending such implementation, or if any difficulties are encountered in their implementation or improvement, (1) our management might not be able to certify, and our independent registered public accounting firm might not be able to report on, the adequacy of our internal control over financial reporting, which would cause us to fail to meet our reporting obligations, (2) misstatements in our financial statements may occur that may not be prevented or detected on a timely basis and (3) we may be deemed to have significant deficiencies or material weaknesses, any of which could adversely affect our business, financial condition and results of operations.

Implementing any appropriate changes to our internal controls may require specific compliance training of our directors, officers and employees, entail substantial costs in order to modify our existing accounting systems, and take a significant period of time to complete. Such changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. In the event that we are not able to demonstrate compliance with Section 404 of the Sarbanes-Oxley Act in a timely manner, our internal controls are perceived as inadequate or that we are unable to produce timely or accurate financial statements, our stock price could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

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

Director & Executive Officer Stock Option Grants

On August 15, 2023, the Company made a grant of options to Mr. Sellitto to acquire 50,000 shares of common stock at an exercise price of \$8.87 per share, exercisable for a period of ten years, vesting subject to achievement of performance and service conditions.

Other Stock Option Grants

During the nine months ended September 30, 2023, the Company also granted a total of 75,000 options to certain new employees at an exercise price of \$7.36 prices ranging from \$9.05 to \$9.61 per share.

All the offers and sales of securities listed above were made to accredited investors. 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

Nasdaq Notices Retirement of Joseph Trelin and Appointment of Kunal Mehta

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 accepted his resignation and agreed to vest the unvested portion of an option granted to Mr. Trelin June 28, 2023, amounting to 6,511 shares.

On March 25, 2024, Kunal Mehta was appointed as an independent member of the Board of Directors of the Company. Mr. Mehta entered into a letter agreement with the Company pursuant to which, in addition to other compensation, he will be granted options to purchase common stock on the third trading day after the announcement of the Company's results for the first quarter of 2024.

On January 25, 2023 *Equity Grant Policy*

Recognizing the importance of adhering to appropriate practices and procedures when granting equity awards, on April 19, 2024, the Board of Directors adopted the Policy on Granting Equity Awards. Under this policy, the Compensation Committee of the Board of Directors may grant equity awards. The Compensation Committee may from time to time grant limited authority to the CEO to offer awards to new hires subject to Compensation Committee ratification. The policy established the following procedures for the Company received a notice letter from the Listing Qualifications staff of the NASDAQ Stock Market LLC (“Nasdaq”) that it was to issue equity awards:

- Equity award grants to existing employees shall be made on a date when the Company’s insider trading window is “open” (i.e., when the Company is not in possession of material non-public information), and which is at least three business days after the most recent release of the Company’s quarterly or annual earnings, or Form 8-K Current Report that discloses material non-public information.
- With respect to grants made to named executive officers, the Company shall not grant and/or price of stock options or other incentive securities under any securities-based compensation arrangement of the Company during the period beginning four (4) business days before and ending one (1) business day after the filing by the Company of a Form 10-Q Quarterly Report, Form 10-K Annual Report or Form 8-K Current Report that discloses material non-public information.
- Grants of stock options to new hires (other than to new hires who will be Section 16 officers), or for promotions, retention or other special purposes will be described as subject to the approval of the Compensation Committee at its next scheduled meeting and the grant date of such stock options, if approved by the Compensation Committee, shall be the date of such meeting.
- Annual grants of equity awards to members of the Board of Directors shall be effective within three business days after the date of the Annual Stockholders Meeting at which such Director is elected or re-elected.

We plan to monitor and periodically review our equity grant policy to ensure compliance with the Nasdaq Listing Rule 5550(a)(2) that the Company maintain a bid price for the Company’s common stock above \$1.00 per share (the “Bid Price Requirement”). On April 4, 2023, the Company received a notice letter from the Listing Qualifications staff of Nasdaq indicating that the Company was not in compliance with Nasdaq Listing Rule 5550(b)(1) (“Rule 5550(b)(1)”) as the Company’s stockholders’ equity of \$283,536, as reported on the Company’s Annual Report on Form 10-K for the period ended December 31, 2022, was below \$2.5 million, which is the minimum stockholders’ equity required for compliance with Rule 5550(b)(1). Further, as of April 3, 2023, the Company did not meet the alternative compliance standards relating to the market value of listed securities, or net income from continuing operations..

As a result of the closing of the Offering plan rules and the Note Exchange in May 2023, the Company’s total stockholder equity is approximately \$9.6 million, as reported on the Company’s form 10-Q for the period ended June 30, 2023. On May 30, 2023, the Company received notice from Nasdaq, that Nasdaq Staff has determined, that the Company complies with Rule 5550(b)(1), subject to its review of the quarterly report on Form 10-Q for the period ended June 30, 2023.

As a result of the Reverse Split, the Company received notice on July 24, 2023 from Nasdaq that the Company is now in compliance with the Bid Price Requirement and the matter raised by their letter of January 25, 2023 is now closed.

Resignation of Annie Pham and Engagement of Edward Sellitto

Annie Pham resigned as Chief Financial Officer effective August 15, 2023. On July 31, 2023, the Company and Edward Sellitto entered an Offer Letter pursuant to which Mr. Sellitto agreed to serve as Chief Financial Officer of the Company commencing August 15, 2023 in consideration of an annual salary of \$250,000. On August 15, 2023 the Company made a grant of options to Mr. Sellitto to acquire 50,000 shares of common stock at an exercise price of \$8.87 per share, exercisable for a period of ten years, vesting subject to achievement of performance and service conditions. Annie Pham continued to assist the Company for a short period during the transition on a consulting basis. applicable law.

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) 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
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.
14.1* 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 (29)	Letter Agreement between Kunal Mehta and authID Inc.
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
99.1*97.1 (26)	Policy for the Recovery of Erroneously Awarded Compensation adopted October 6, 2023
101.INS 99.1 *	Policy on Granting Equity Awards
101.INS*	Inline XBRL Instance Document *
101.SCH 101.SCH*	Inline XBRL Taxonomy Extension Schema Document *
101.CAL 101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF 101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB 101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document *
101.PRE 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 schedules 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 exhibits to this agreement have been omitted pursuant to Instruction 4 to Item 1.01 of Form 8-K, (ii) would be competitively harmful if publicly disclosed. A copy of any omitted schedule or exhibit 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.

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 8, 2023 May 15, 2024

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Exhibit 14.1

AUTHID INC. CODE OF ETHICS Adopted October 6, 2023

GENERAL STATEMENT OF POLICY:

- Honesty and candor in our activities, including observance of the spirit, as well as the letter of the law;
- Avoidance of conflicts between personal interests and the interests of the Company, or even the appearance of such conflicts;
- Avoidance of Company payments to candidates running for government posts or other government officials;
- Compliance with generally accepted accounting principles and controls;
- Maintenance of our reputation and avoidance of activities which might reflect adversely on the Company; and
- Integrity in dealing with the Company's assets.

References to "authID Inc.", "authID" or the "Company" are intended to refer only to authID Inc. and its subsidiaries. The term "associate" shall include all directors, officers and employees and any spouse, children, any dependents, or any person or entity acting as the agent or fiduciary for any of the foregoing, through which an associate may receive direct or indirect personal benefit.

A. HONESTY, CANDOR AND OBSERVANCE OF LAWS

a. VIOLATIONS OF THE CODE OF ETHICS

Violations of the Code of Ethics or any of the Company's rules of conduct in effect will constitute grounds for disciplinary action, up to and including termination. Associates are expected to act fairly and honestly in all transactions with the Company and with others and to maintain the high ethical standards of the Company in accordance with this Code of Ethics.

b. DISCOVERY OF VIOLATIONS OF THE CODE OF ETHICS OR ILLEGAL ACTIVITIES

Discovery of events of a questionable, fraudulent or illegal nature or which appear to be in violation of the Code of Ethics must be promptly reported. Failure to report such events also constitutes a violation of the Code of Ethics.

Associates are encouraged to report concerns of internal fraud — whether it is a suspicion of theft, accounting irregularities or violations of the law — through a choice of confidential reporting processes outlined in the Company's Whistleblower Policy.

Retaliation against any associate who files a claim of internal fraud will not be tolerated. Any act of retaliation will be subject to corrective action up to and including immediate termination.

c. COMPLIANCE WITH LAWS AND REGULATIONS

The Company strives to comply with all the laws and regulations that are applicable to its business. As a good citizen, the Company emphasizes good faith efforts to follow the spirit and intent of the law.

d. CANDOR AMONG ASSOCIATES AND IN DEALING WITH AUDITORS AND COUNSEL

Senior management of the Company must be informed at all times of matters that might adversely affect the reputation of the Company, regardless of the source of such information. Concealment may be considered a signal that the Company's policies and rules can be ignored, and such conduct cannot be tolerated. Moreover, complete candor is essential in dealing with the Company's independent auditors and attorneys.

B. CONFLICTS OF INTEREST

a. CONFLICTS OF INTEREST, GENERALLY

- i.** The primary principle underlying the Company's conflicts of interest policies is that associates, and officers in particular, must never permit their personal interests to conflict or appear to conflict with the interests of the Company or its customers.
- ii.** No associate of authID, nor any member of their family, should accept any form of compensation from, be employed by or act as a consultant to, or have any ownership in, a vendor of authID, or any competitor of authID, without the express approval of authID's Chief Executive Officer. Generally speaking, associates and family members (including spouses, children, parents and siblings) should avoid any financial interest in a non-publicly owned vendor or competitor. If such interest does exist, subject to CEO approval, it should be limited to one-tenth of one percent of the entity's (vendor or competitor) outstanding securities and a maximum of ten percent of the associate or family member's total assets.
- iii.** No associate may act on behalf of the Company in any transaction involving persons or organizations with whom he/she or his/her family has any significant connection or financial interest.
- iv.** Officers and Directors are subject to higher standards of review for interested-party transactions. All such transactions must be openly disclosed to a disinterested majority of the Board of Directors and subject to a rigorous independent review.
- v.** Any associate in a conflict situation should discuss the matter with his or her immediate supervisor or should contact their Executive Staff representative. Usually, associates will be required to remove themselves from a conflict situation.

b. RECEIPT OR PAYMENT OF BRIBES, COMMISSIONS, HONORARIUMS, LOANS, GIFTS, GRATUITIES AND ENTERTAINMENT

- i.** The Company does not permit or condone bribes, kickbacks, improper commissions, honorariums, loans, gifts, gratuities or any other illegal, secret, or improper payments, transfers or receipts.
- ii.** No associate may accept a gift other than of nominal value directly or indirectly, in any form, from a supplier or prospective supplier.

- iii. As a general rule, no associate may accept a gift from any customer or prospective customer of the Company. Under no circumstances should an associate request or otherwise solicit from any customer, supplier or prospective customer or supplier, any gifts or similar gratuities, regardless of monetary worth.

c. CORPORATE HOSPITALITY TO THE PUBLIC OFFICIALS

- i. Acts of hospitality toward public officials should never be on such a scale or of such a nature as might tend to compromise or give the impression of compromising the integrity or the reputation of either the public official or the Company.
- ii. In no event shall authID's name be used to enhance an associate's own political opportunities.

d. DEALING WITH PROSPECTIVE SUPPLIERS

- i. Associates must award orders, contracts and commitment to suppliers of goods or services without favoritism. Company business of this nature must be conducted strictly on the basis of merit.

e. FAIR COMPETITION

- i. Under no circumstances should associates enter into arrangements with the Company's competitors affecting pricing or marketing arrangements. Such arrangements are illegal under federal and state antitrust laws.

f. CONDUCT WITH COMPETITORS

- i. In all contacts with competitors, whether at trade/business association meetings or in other venues, do not discuss pricing policy, contract terms, costs, inventories, marketing and product plans, market surveys and studies, production plans and capabilities; and, of course, any other proprietary or confidential information.

Discussion of these subjects or collaboration on them with competitors can be illegal. If a competitor raises any of them, even lightly or with apparent innocence, you should object, stop the conversation immediately, and tell the competitor that under no circumstances will you discuss these matters.

In summary, disassociate yourself and authID from participation in any possibly illegal activity with competitors; confine your communication to what is clearly legal and proper. If necessary, you should leave the meeting. Finally, report immediately to the Chief Financial Officer or General Counsel any incident involving a prohibited subject.

Accidental, casual or social contact with competitors can be suspect and considered circumstantial evidence of a conspiracy.

g. PERSONAL FEES AND COMMISSIONS

- i. No associate may accept personal fees or commissions from third parties in connection with any transactions on behalf of the Company. The acceptance of payments from suppliers requires the prior written approval of the Chief Financial Officer.

h. WORK RELATIONSHIPS

- i. No associate shall give or receive any special consideration to the conditions of employment of another associate due to family or personal relationships.
- ii. No employment decisions, whether they be decisions to hire, employ, promote, transfer, change compensation, or bar or discharge from employment, shall be based in whole or in part upon considerations of age, race, creed, color, national origin, sex, pregnancy, disability, sexual orientation, veteran or marital status or any other category protected under federal, state or local law, regulation or ordinance of any individual, unless based upon a bona fide occupational qualification or other exception.

C. CONFIDENTIALITY

a. CONFIDENTIAL INFORMATION CONCERNING THE COMPANY

Except as set forth under the heading “Reservation of Right”, officers and associates must not divulge any non-public information regarding the Company to any outsider except for a legitimate business purpose and with the express understanding that the information is confidential and is to be used solely for the limited business purpose for which it was given and received. This information may include, but is not limited to: salary and personnel information, customer lists and data; including names, addresses, phone numbers, banking, credit card and other personal data, budgets and forecasts, and marketing and sales plans. Disclosure of such proprietary information to non-authID personnel (vendors, customers, competitors, etc.) should only occur with the express approval of the CEO, CFO or General Counsel.

b. CONFIDENTIAL INFORMATION CONCERNING SUPPLIERS

Confidential or sensitive information, such as pricing, submitted to and maintained by the Company in connection with the purchase of equipment, supplies and services, must be maintained in strictest confidence, in order to avoid giving or removing any competitive advantage with respect to any of several suppliers. Such information should remain confidential, except as set forth under the heading “Reservation of Rights”.

D. SECURITIES, INVESTMENT AND TRADING

a. PERSONAL INVESTMENTS

Associates are free to invest in stock, bonds and other securities at their discretion, but must always comply with applicable laws and regulations.

b. INSIDER TRADING

Associates must never make changes in their personal investment portfolios on the basis of confidential information relating to the Company or obtained through the Company's business. In addition, associates are expected to follow the Company's Insider Stock Trading Policy and any other internal policies and procedures in effect from time to time.

c. VIOLATIONS OF LAW

Significant federal laws govern the disclosure of material, non-public information or trading in the Company's Common Stock on the basis of any such information. Those who disclose confidential information to an outsider who either trades on the information or passes the information along will be subject to the same sanctions as if they had traded the Company's Common Stock themselves.

d. RESPONSE TO INQUIRIES FROM OUTSIDERS

Requests for information on authID's financial performance or other topics from the media or any other source should be directed to the Chief Financial Officer or General Counsel. authID associates should not answer such inquiries themselves. This does not preclude communications as set forth under the heading “Reservation of Rights”.

E. DEALING WITH THE ASSETS OF THE CORPORATION

a. PROPRIETARY INFORMATION, PRODUCTS, SERVICES AND OTHER PROPERTY

- i.** All associates shall protect the Company's ownership of property, including information, products and services.
- ii.** The misuse or removal from Company office, warehouse or store facilities of the Company's merchandise, promotional product, furnishings, equipment, reports, computer software, data processing systems and supplies is prohibited, unless specifically authorized.
- iii.** Any contribution an associate makes to development and implementation of ideas or products while employed by the Company are the Company's property and remain its property even if the associate leaves the Company's employ.

b. BRIBES AND PREFERENTIAL TREATMENT

Bribes and kickbacks are illegal. No bribes, kickbacks, or other similar remuneration or consideration shall be given to any person or organization in order to attract business, obtain real estate or otherwise act in a manner even though it may appear to enhance the Company's best interests.

c. PAYMENTS OR GIFTS TO U.S. OR FOREIGN GOVERNMENT OFFICIALS

Payments or gifts to U.S. or foreign government officials are strictly prohibited.

d. POLITICAL CONTRIBUTIONS

Federal law (and many states) prohibits corporations from making contributions directly or in kind to candidates for elected office or to political parties.

e. FOREIGN BUSINESS

authID and its associates are required to honor all applicable foreign and United States law, including international agreements to which the U.S. has assented.

f. ENVIRONMENTAL, HEALTH AND SAFETY STANDARDS

authID and its associates are required to comply with all applicable environmental, health and safety laws and regulations.

g. COMMUNITY RELATIONS

authID and its associates are required to conduct themselves as responsible and useful corporate citizens in all of the communities in which we operate.

h. PROPER ACCOUNTING

- i.** The Company has established internal accounting controls and record-keeping policies in order to meet both the legal and the business requirements of the Company. The Company has designed the accounting policies to comply with the Foreign Corrupt Practices Act, as well as all other current and future relevant legislation and regulations. Associates are expected to maintain and adhere to these controls and policies.
- ii.** The accounting records of the Company must be complete, accurate and in reasonable detail. Such records include books of original entry and other financial information used for internal management decision-making and external reporting. The underlying transactions must be properly authorized and recorded on a timely basis in order to permit preparation of financial statements in accordance with generally accepted accounting principles and maintain accountability of assets. No fund or asset which is not fully and properly recorded on the Company's books is permitted.
- iii.** All officers and associates of the Company who are authorized to incur business expenses are responsible for the accurate and timely reporting of such expenses. All expenditures must be in accordance with existing policies.
- iv.** It is unlawful to falsify any book, record or account which reflects transactions of the Company's assets.
- v.** No secret or unrecorded funds or assets shall be established or continued.

F. RESERVATION OF RIGHTS

Nothing in this Code of Ethics or any policies of the Company prohibits any Associate from reporting possible violations of law or regulation to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of federal law or regulation or from participating in any investigation or proceeding that may be conducted by any government agency. You do not need the prior consent of the Company to make any such reports and you are not required to disclose to or notify the Company if any such reports are made.

G. EQUAL EMPLOYMENT OPPORTUNITY

authID is an equal opportunity employer. This policy prohibits discrimination on any basis considered unlawful under federal, state and/or local laws including but not limited to age, race, religion, color, national origin, citizenship, physical or mental disability, sex, marital status, veteran's status, sexual orientation, pregnancy or any other category protected under federal, state or local law, regulation or ordinance. authID is dedicated to ensuring the fulfillment of this policy with respect to hiring, placement, promotion, transfer, demotion, lay-off, termination, recruitment, advertising, rates of pay or other forms of compensation, selection for training and general treatment during employment. This includes making reasonable accommodations for applicants and employees with disabilities unless the accommodation would impose an undue hardship on the operation of our business.

In addition, it is authID's policy to prohibit harassment of any associate by a manager, supervisor, co-worker, client, customer or visitor on the basis of the above-mentioned classifications, including gender. The purpose of this policy is to

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

I, Rhoniell 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 8, 2023 May 15, 2024

/s/ Rhoniel Daguro

Rhoniel Daguro
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**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 8, 2023 May 15, 2024

/s/ Ed Sellitto

Ed Sellitto

Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of authID Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 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 8, 2023 May 15, 2024

/s/ Rhoniel Daguro

Rhoniel Daguro

Chief Executive Officer

(Principal Executive Officer)

November 8, 2023 May 15, 2024

/s/ Ed Sellitto

Ed Sellitto, Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 99.1

AUTHID INC.
POLICY FOR THE
RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION ON GRANTING EQUITY AWARDS

A. OVERVIEW

ADOPTED ON APRIL 19, 2024

In accordance A. Introduction

The Board of Directors (the “Board”) of authID Inc. (the “Company”) recognizes the importance of adhering to specific practices and procedures in the granting of equity awards. This policy shall apply to all grants of equity awards by the Company. Equity awards are any compensatory award granted under the Company’s equity compensation plans (or otherwise) in the form of the Company’s common stock or any derivative of the Company’s common stock, including, without limitation, stock options, restricted stock, restricted stock units or performance shares.

This policy is intended solely to provide guidance with respect to the applicable rules Company’s equity award granting practices and the Company intends to develop additional administrative procedures to supplement this policy in order to more fully implement the Company’s equity programs, including without limitation, the handling, internal review and dissemination of The Nasdaq Stock Market (the “Nasdaq Rules”), grant proposals, grant records and the tracking of related award information (including grant details, vesting, cancellation or expiration of awards, tax withholdings compliance with Sections 162(m) and 409A of the Internal Revenue Code of 1986, as amended and Section 10D and Rule 10D-1 16 of the Securities Exchange Act of 1934, 1934). Such supplemental guidelines may be adopted and/or amended with the approval of the Company’s Chief Financial Officer and General Counsel without ratification by the Compensation Committee to the extent such guidelines do not conflict, in the reasonable judgment of such officers, with the policies and procedures specifically set forth herein.

B. Authority to Grant Awards

Only the Compensation Committee of the Board or the Board, as amended (the “Exchange Act”) (“Rule 10D-1”) applicable, may grant equity awards. The Compensation Committee of the Board may from time to time grant limited authority to the CEO to offer awards to new hires subject to Compensation Committee ratification.

C. Procedure for Granting Awards

(i) Equity award grants to existing employees may only be made by the Compensation Committee. Such awards shall be made on a date when the Company’s insider trading window is “open” (i.e., when the Company is not in possession of material non-public information), and which is at least three business days after the most recent release of the Company’s quarterly or annual earnings, or Form 8-K Current Report that discloses material non-public information. The grant date of broad based equity awards approved at a meeting of the Compensation Committee shall be the date of such meeting. The exercise price for all equity awards will be the closing price on the date of grant.

(ii) With respect to grants made to named executive officers (as such term is defined under Item 402 of Regulation S-K), the Board Company shall not grant and/or price of Directors (the “Board”) stock options or other incentive securities under any securities-based compensation arrangement of authID Inc. (the “Company”) has adopted this Policy (the “Policy”) to provide for the recovery of erroneously awarded Incentive-based Compensation from Covered Persons. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section H, below.

B. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

(1) In the event of an Accounting Restatement, the Company will reasonably promptly recover during the Erroneously Awarded Compensation Received period beginning four (4) business days before and ending one (1) business day after the filing by the Company of a Form 10-Q Quarterly Report, Form 10-K Annual Report or Form 8-K Current Report that discloses material non-public information (other than a current report on Form 8-K disclosing a material new option award grant under Item 5.02(e) of that form). Such awards shall be made on a date which is at least three business days after the most recent release of the Company’s quarterly or annual earnings or Form 8-K Current Report that discloses material non-public information and when the Company’s insider trading window is “open” (i.e., when the Company is not in accordance with Nasdaq Rules and Rule 10D-1 as follows: possession of material non-public information).

- (i) After an Accounting Restatement, the Compensation Committee (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board) (the “Committee”) shall determine the amount of any Erroneously Awarded Compensation Received by each Covered Person and shall promptly notify each Covered Person with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.
- (ii) For Incentive-based Compensation based on (or derived from) the Company’s stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:
 - (a) The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company’s stock price or total shareholder return upon which the Incentive-based Compensation was Received; and

- (b) The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to the Nasdaq.
 - (iii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section B(2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of a Covered Person's obligations hereunder. The method for recovering Erroneously Awarded Compensation hereunder may include, without limitation, any one or more of the following:
 - (a) requiring reimbursement of cash Incentive-Based Compensation previously paid;
 - (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
-

- (c) cancelling or rescinding some or all outstanding vested or unvested equity-based awards;
- (d) adjusting or withholding from unpaid compensation or other set-off;
- (e) cancelling or offsetting against planned future grants of equity-based awards; and/or
- (f) any other method permitted by applicable law or contract.

Notwithstanding the foregoing, a Covered Person (iii) Grants of stock options to new hires (other than to new hires who will be deemed to have satisfied such person's obligation to return Erroneously Awarded Compensation Section 16 officers), or for promotions, retention or other special purposes will be described as subject to the Company if such Erroneously Awarded approval of the Compensation is returned in the exact same form in which it was received; provided that equity withheld to satisfy tax obligations will be deemed to have been received in cash in an amount equal to the tax withholding payment made.

- (iv) To the extent that the Covered Person has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.
- (v) To the extent that a Covered Person fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Covered Person. The applicable Covered Person shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section B(1) above if the Committee (which, as specified above, is composed entirely of independent directors or in the absence at its next scheduled meeting. The grant date of such a committee, a majority of the independent directors serving on the Board) determines that recovery would be impracticable and any of the following two conditions are met:

- (i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, documented such attempt(s) and provided such documentation to Nasdaq; or
- (ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

C. DISCLOSURE REQUIREMENTS

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission ("SEC") filings and rules.

D. PROHIBITION OF INDEMNIFICATION

The Company shall not be permitted to insure or indemnify any Covered Person against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to a Covered Person from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

E. ADMINISTRATION AND INTERPRETATION

This Policy shall be administered stock options, if approved by the Committee, and any determinations made by the Compensation Committee, shall be final the date of such meeting. The exercise price for all equity awards will be the closing price on the date of grant. Grants of stock options to new hires who will or may be Section 16 officers will be subject to the prior approval of the Compensation Committee at a meeting, which will be held prior to the employment start date of the Section 16

officer. The grant date of such stock options will be the Section 16 officer's first day of employment (subject that being in an open period in accordance with paragraph (ii) above) and binding the exercise price will be the closing price on all affected individuals. the date of grant.

The Committee is authorized (iv) Annual grants of equity awards to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation members of the SEC or Nasdaq promulgated or issued in connection therewith.

F. AMENDMENT; TERMINATION

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section F to the contrary, no amendment or termination of this Policy Board (the "Directors") shall be effective if within three business days after the date of the Annual Stockholders Meeting at which such amendment Director is elected or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.

G. OTHER RECOVERY RIGHTS

This Policy re-elected. For Directors appointed other than at an Annual Stockholders Meeting, initial grants of equity awards shall be binding and enforceable against effective on the date the Director is appointed (subject that being in an open period in accordance with paragraph (ii) above). The exercise price for all Covered Persons and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy equity awards will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with a Covered Person shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Covered Person to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

H. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1) "**Accounting Adjustment**" means a material change to a Financial Reporting Measure which is not based closing price on the accounting principles used in preparing the Company's financial statements, such as Booked Annual Recurring Revenue, where such change results from a determination that such Financial Measure was incorrectly calculated when originally published, based on the facts that were known to management at the time of such original publication.

(2) **“Accounting Restatement”** means (i) an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period and (ii) an Accounting Adjustment.

(3) **“Clawback Eligible Incentive Compensation”** means all Incentive-based Compensation Received by a Covered Person (i) on or after the effective date of grant.

(v) The Stock Plan Administrator will upon the applicable Nasdaq rules, (ii) after beginning service as instructions of the CEO prepare a Covered Person, (iii) who served as a Covered Person at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Covered Person is serving at the time the Erroneously Awarded Compensation is required list of equity grants to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).

(4) **“Clawback Period”** means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.

(5) **“Covered Person”** means any Executive Officer and any employee of the Company or a subsidiary of the Company holding the title of Chief Officer, Senior Vice President or Executive Vice President, or any other person designated as a Covered Person considered by the Compensation Committee, at which list will include the time grantee's name, the proposed number of shares or options to be granted, and the vesting terms. This list will be reviewed by the Chief Financial Officer and the General Counsel before submission to the Compensation Committee for approval.

(vi) The list will be submitted to the Compensation Committee in advance of the award scheduled meeting. The minutes of Incentive-Based Compensation. A person's status as a Covered Person with respect to Erroneously Awarded Compensation shall be determined as meetings at which grants of equity awards are made, or written resolutions (as the case may be) must include the names of the time grantees, the number of receipt of such Erroneously Awarded Compensation regardless of options or shares granted to each grantee, and the person's current role or status with the Company (e.g., if a person began service as an Executive Officer after the beginning of an Applicable Recovery Period, that person would not be considered a Covered Person with respect to Erroneously Awarded Compensation received before the person began service as an Executive Officer, but would be considered a Covered Person with respect to Erroneously Awarded Compensation received after the person began service as an Executive Officer where such person served as an Executive Officer at any time during the performance period for such Erroneously Awarded Compensation). vesting terms.

(6) **“Erroneously Awarded Compensation”** means, with respect to each Covered Person in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(7) **“Executive Officer”** means each individual who is currently or was previously designated as an “officer” of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified (vii) All grants will be made pursuant to Item 401(b) a standard form of Regulation S-K or Item 6.A of Form 20-F, as applicable, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).

(8) **“Financial Reporting Measures”** means measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) as well as Booked Annual Recurring Revenue and any other measure designated award agreement previously approved by the Compensation Committee unless the Compensation Committee determines otherwise.

D. Error Correction Process

No additions or changes to the list of approved equity awards that was submitted to and approved by the Compensation Committee may be made once such list has been approved. In the event that a list contains an omission, the correction will be made by including any omitted grant in the next meeting of the Compensation Committee. If an error or omission occurs, depending on the reason for the error or omission, a decision may be made (but is not required) to adjust the amount of the later grant or the vesting schedule to compensate for the delayed vesting or change in exercise price from the intended grant date to the actual grant date provided all modifications are properly documented and explained.

E. Award Packages

The Stock Plan Administrator will distribute equity award packages to all grantees promptly. The Stock Plan Administrator will annually review all standard forms of equity grant agreements and will obtain the approval of the Compensation Committee for any proposed modifications.

F. Equity Compensation Compliance

The Compensation Committee has designated the General Counsel as a Financial Reporting Measure, shall the person charged with equity compensation compliance for purposes of this Policy, be considered Financial Reporting Measures. For assisting the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing Compensation Committee with the SEC.

(9) “Incentive-based administration and oversight of this policy. The General Counsel shall periodically report to and update the Compensation” means any compensation that is granted, earned or vested based wholly or in part upon Committee regarding the attainment procedures and practices relating to the granting of a Financial Reporting Measure, equity awards and shall perform such other tasks as reasonably requested by the Committee related to the implementation and oversight of this policy.

(10) “Nasdaq” means The Nasdaq Stock Market. G. Revisions

(11) “Received” means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Covered Person occurs after the end of that period.

(12) “Restatement Date” means the earlier to occur of (i) the date the Board, a committee of the The Board or the officers of Compensation Committee shall have the Company authorized authority to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement. revise this Policy.

Effective as of October 6, 2023.

Exhibit A
AUTHID INC.

ATTESTATION AND ACKNOWLEDGEMENT OF POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED
COMPENSATION

By my signature below, I acknowledge and agree that:

- I have received and read the attached Policy for the Recovery of Erroneously Awarded Compensation (this “Policy”).
- I hereby agree to abide by all of the terms of this Policy both during and after my employment with authID Inc. (the “Company”), including, without limitation, by promptly repaying or returning any Erroneously Awarded Compensation to the Company as determined in accordance with this Policy.

Signature: _____
Printed Name: _____
Date: _____

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