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

FORM 10-Q

(Mark one)
x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

OR

o **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 001-39332

VERIFYME, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada (State or Other Jurisdiction of Incorporation or Organization)	**23-3023677** (I.R.S. Employer Identification No.)
801 International Parkway , Fifth Floor **Lake Mary , FL** (Address of Principal Executive Offices)	**32746** (Zip Code)

(585) 736-9400
(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(s)	Name of each exchange on which Registered
Common Stock, par value $0.001 per share	VRME	The Nasdaq Capital Market
Warrants to Purchase Common Stock	VRMEW	The Nasdaq Capital Market

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

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 x No o

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	x
Emerging growth company	o		

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. o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 9,991,806 shares of common stock outstanding at November 6, 2023.

PART I - FINANCIAL INFORMATION

Table of Contents

PART I - FINANCIAL STATEMENTS

ITEM 1.

VerifyMe, Inc.
Consolidated Balance Sheets
(In thousands, except share data)

	As of	
	September 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents including restricted cash	$ 3,007	$ 3,411
Accounts receivable, net of allowance for credit loss reserve, $ 76 and $ 37 as of September 30, 2023 and December 31, 2022, respectively	1,379	4,448
Unbilled revenue	885	1,185
Prepaid expenses and other current assets	302	333
Inventory	42	81
TOTAL CURRENT ASSETS	5,615	9,458
PROPERTY AND EQUIPMENT, NET	$ 265	$ 292
RIGHT OF USE ASSET	506	469
INTANGIBLE ASSETS, NET	7,107	6,545
GOODWILL	5,313	3,988
TOTAL ASSETS	$ 18,806	$ 20,752
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt, short-term	$ 1,000	$ 500
Accounts payable	1,497	3,912
Other accrued expense	815	902
Lease liability- current	160	115
Contingent liability-short term	162	-
TOTAL CURRENT LIABILITIES	3,634	5,429
LONG-TERM LIABILITIES		
Contingent liability-long term	$ 827	$ -
Long-term lease liability	346	359
Long-term derivative liability	-	3
Term note	1,000	1,375
Convertible Note – related party	425	-
Convertible Note	675	-
TOTAL LIABILITIES	$ 6,907	$ 7,166
STOCKHOLDERS' EQUITY		
Series A Convertible Preferred Stock, $ .001 par value, 37,564,767 shares authorized; 0 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	-	-
Series B Convertible Preferred Stock, $ .001 par value; 85 shares authorized; 0.85 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	-	-

Table of Contents

Common stock, $ 0.001 par value; 675,000,000 authorized; 10,270,400 and 9,341,002 issued, 9,935,534 and 8,951,035 shares outstanding as of September 30, 2023 and December 31, 2022, respectively	10	10
Additional paid in capital	94,563	92,987
Treasury stock as cost; 334,866 and 389,967 shares at September 30, 2023 and December 31, 2022, respectively	(748)	(949)
Accumulated deficit	(81,851)	(78,459)

Accumulated other comprehensive loss	(75)	(3)
STOCKHOLDERS' EQUITY	11,899	13,586
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 18,806	$ 20,752

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

Table of Contents

VerifyMe, Inc.
Consolidated Statements of Operations
(Unaudited)
(In thousands, except share data)

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
NET REVENUE	$ 5,604	$ 5,215	$ 16,600	$ 9,873
COST OF REVENUE	3,312	3,360	10,734	6,210
GROSS PROFIT	2,292	1,855	5,866	3,663
OPERATING EXPENSES				
General and administrative (a)	2,754	2,213	7,852	6,213
Research and development	5	39	23	73
Sales and marketing (a)	388	478	1,388	1,224
Total Operating expenses	3,147	2,730	9,263	7,510
LOSS BEFORE OTHER (EXPENSE) INCOME	(855)	(875)	(3,397)	(3,847)
OTHER (EXPENSE) INCOME				
Interest expenses, net	(39)	(32)	(127)	(54)
Loss on equity investment	-	-	-	(10,964)
Unrealized (loss) gain on equity investment	-	(1)	(2)	5
Change in fair value of contingent consideration	(36)	-	136	-
Other income (expense), net	-	25	(2)	28
Gain on extinguishment of debt	-	326	-	326
TOTAL OTHER (EXPENSE) INCOME, NET	(75)	318	5	(10,659)
NET LOSS	$ (930)	$ (557)	$ (3,392)	$ (14,506)
LOSS PER SHARE:				
BASIC	(0.09)	(0.06)	(0.35)	(1.76)
DILUTED	(0.09)	(0.06)	(0.35)	(1.76)
WEIGHTED AVERAGE COMMON SHARE OUTSTANDING				
BASIC	9,879,202	8,943,613	9,732,619	8,219,154
DILUTED	9,879,202	8,943,613	9,732,619	8,219,154

(a) Includes share-based compensation of $498 thousand and $1,099 thousand for the three and nine months ended September 30, 2023, respectively, and $354 thousand $1,095 thousand for the three and nine months ended September 30, 2022.

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

Table of Contents

Consolidated Statements of Other Comprehensive Loss
(Unaudited)
(In thousands)

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
NET LOSS	$ (930)	$ (557)	$ (3,392)	$ (14,506)
Change in fair value of interest rate, Swap	3	-	4	-
Foreign currency translation adjustments	(28)	-	(76)	-
Total Comprehensive Loss	$ (955)	$ (557)	$ (3,464)	$ (14,506)

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

Table of Contents

VerifyMe, Inc.
Consolidated Statements of Cash Flows

(Unaudited)
(In thousands)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (3,392)	$ (14,506)
Adjustments to reconcile net loss to net cash used in operating activities:		
Allowance for bad debt	49	13
Stock based compensation	46	123
Unrealized loss (gain) on equity investment	2	(5)
Change in fair value of contingent consideration	(136)	-
Fair value of restricted stock awards and restricted stock units issued in exchange for services	1,053	972
Loss on disposal of equipment	2	-
Intangible asset impairment	34	-
Loss on equity investment	-	10,964
Gain on extinguishment of debt	-	(326)
Amortization and depreciation	835	504
Unrealized loss on foreign currency transactions	16	-
Changes in operating assets and liabilities:		
Accounts receivable	3,015	(69)
Unbilled revenue	300	(695)
Inventory	38	(89)
Prepaid expenses and other current assets	51	(33)
Accounts payable, other accrued expenses and net change in operating leases	(2,512)	479
Net cash used in operating activities	(599)	(2,668)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of patents	$ (51)	$ (33)
Leasehold improvements	(8)	-
Purchase of office equipment	(24)	-
Cash paid in business combination	(363)	(7,500)
Deferred implementation costs	(58)	(87)
Capitalized software costs	(576)	(127)
Net cash used in investing activities	(1,080)	(7,747)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from public offering of securities	$ -	$ 4,528
Proceeds from line of credit	800	-
Proceeds from convertible debt	1,100	-
Proceeds from issuance of note payable	-	2,000
Proceeds from SPP Plan	80	102
Tax withholding payments for employee stock-based compensation in exchange for shares surrendered	(18)	(34)
Increase in treasury shares (share repurchase program)	(10)	(185)
Repayment of debt and line of credit	(675)	-
Settlement of debt and redemption of shares from PeriShip seller	-	(1,724)
Net cash provided by financing activities	1,277	4,687
Effect of exchange rate changes on cash	(2)	-
NET DECREASE CASH AND CASH EQUIVALENTS	(404)	(5,728)
CASH AND CASH EQUIVALENTS INCLUDING RESTRICTED CASH- BEGINNING OF PERIOD	3,411	9,422
CASH AND CASH EQUIVALENTS INCLUDING RESTRICTED CASH- END OF PERIOD	$ 3,007	$ 3,694

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$ 129	$ -
Income taxes	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Initial recognition of right-of-use asset and lease liability during the period	$ -	$ 552
Change in fair value of interest rate, swap	$ 4	$ -
Exercise of pre-funded warrants	$ -	$ 1

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

VerifyMe, Inc.
Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands, except share data)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock			Treasury Stock			
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Number of Shares	Amount	Accumulated Deficit	Total
Balance at June 30, 2022	-	-	0.85	-	8,467,046	9	92,347	198,956	(756)	(78,010)	13,590
Restricted stock awards, net of shares withheld for employee tax	-	-	-	-	-	-	33	-	-	-	33

	Series A Convertible Preferred Stock Number of Shares	Series A Amount	Series B Convertible Preferred Stock Number of Shares	Series B Amount	Common Stock Number of Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock Number of Shares	Treasury Stock Amount	Accumulated Deficit	Total
Restricted Stock Units	-	-	-	-	-	-	289	-	-	-	289
Stock Purchase Plan	-	-	-	-	-	-	31	-	-	-	31
Common stock issued in relation to Stock Purchase Plan	-	-	-	-	28,895	-	(63)	(28,895)	98	-	35
Common stock issued in relation to private placement	-	-	-	-	-	-	(24)	-	-	-	(24)
Repurchase of Common Stock	-	-	-	-	(135,530)	-	-	135,530	(185)	-	(185)
Exercise of Pre-funded Warrants	-	-	-	-	675,000	1	-	-	-	-	1
Net loss	-	-	-	-	-	-	-	-	-	(557)	(557)
Balance at September 30, 2022	-	-	0.85	-	9,035,411	10	92,613	305,591	(843)	(78,567)	13,213

	Convertible Preferred Stock		Convertible Preferred Stock		Common Stock			Treasury Stock				
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Number of Shares	Amount	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balance at June 30, 2023	-	-	0.85	-	9,842,765	10	94,111	347,668	(792)	(50)	(80,921)	12,358
Restricted stock awards, net of shares withheld for employee tax	-	-	-	-	14,000	-	170	-	-	-	-	170
Restricted Stock Units, net of shares withheld for employee tax	-	-	-	-	65,967	-	308	-	-	-	-	308
Common stock issued in relation to Stock Purchase Plan	-	-	-	-	12,802	-	(26)	(12,802)	44	-	-	18
Accumulated other comprehensive income	-	-	-	-	-	-	-	-	-	(25)	-	(25)
Net loss	-	-	-	-	-	-	-	-	-	-	(930)	(930)
Balance at September 30, 2023	-	-	0.85	-	9,935,534	10	94,563	334,866	(748)	(75)	(81,851)	11,899

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

VerifyMe, Inc.
Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands, except share data)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock			Treasury Stock			
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Number of Shares	Amount	Accumulated Deficit	Total
Balance at December 31, 2021	-	-	0.85	-	7,196,677	7	86,059	223,956	(838)	(64,061)	21,167
Restricted stock awards, net of shares withheld for employee tax	-	-	-	-	29,688	-	172	-	-	-	172
Restricted Stock Units	-	-	-	-	-	-	766	-	-	-	766
Stock Purchase Plan	-	-	-	-	-	-	98	-	-	-	98
Common stock issued in relation to Stock Purchase Plan	-	-	-	-	53,895	-	(78)	(53,895)	180	-	102
Common stock issued in relation to private placement	-	-	-	-	880,208	2	4,526	-	-	-	4,528
Common stock issued for services	-	-	-	-	30,000	-	96	-	-	-	96
Common stock issued in relation to Acquisition	-	-	-	-	305,473	-	974	-	-	-	974
Repurchase of Common Stock	-	-	-	-	(135,530)	-	-	135,530	(185)	-	(185)
Exercise of Pre-funded Warrants	-	-	-	-	675,000	1	-	-	-	-	1
Net loss	-	-	-	-	-	-	-	-	-	(14,506)	(14,506)
Balance at September 30, 2022	-	-	0.85	-	9,035,411	10	92,613	305,591	(843)	(78,567)	13,213

	Convertible Preferred Stock		Convertible Preferred Stock		Common Stock			Treasury Stock				
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Number of Shares	Amount	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balance at December 31, 2022	-	-	0.85	-	8,951,035	10	92,987	389,967	(949)	(3)	(78,459)	13,586
Restricted stock awards, net of shares withheld for employee tax	-	-	-	-	499,444	-	317	-	-	-	-	317
Restricted stock units, net of shares withheld for employee tax	-	-	-	-	67,717	-	718	-	-	-	-	718
Common stock issued in relation to Stock Purchase Plan	-	-	-	-	70,047	-	(84)	(61,302)	211	-	-	127
Common stock issued in relation to Acquisition	-	-	-	-	353,492	-	625	-	-	-	-	625
Repurchase of common stock	-	-	-	-	(6,201)	-	-	6,201	(10)	-	-	(10)
Accumulated other comprehensive loss	-	-	-	-	-	-	-	-	-	(72)		(72)
Net loss		-	-	-	-	-	-	-	-	-	(3,392)	(3,392)
Balance at September 30, 2023	-	-	0.85	-	9,935,534	10	94,563	334,866	(748)	(75)	(81,851)	11,899

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

VerifyMe, Inc.
Notes to the Consolidated Financial Statements (unaudited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business

VerifyMe, Inc. ("VerifyMe") was incorporated in the State of Nevada on November 10, 1999 . VerifyMe, together with its subsidiaries, including PeriShip Global LLC ("PeriShip Global") and Trust Codes Global Limited ("Trust Codes Global"), (together the "Company," "we," "us," or "our") is based in Lake Mary, Florida and its common stock, par value $0.001 per share, and warrants to purchase common stock are traded on The Nasdaq Capital Market ("Nasdaq") under the trading symbols "VRME" and "VRMEW," respectively.

VerifyMe, through PeriShip Global, is a software driven predictive analytics logistics provider of high-touch, end-to-end logistics management, which represents most of our current revenue stream. In addition, VerifyMe technologies provide product traceability and brand solutions. Our operations are split into two segments: Precision Logistics and Authentication. Through our Precision Logistics segment, we provide a value-added service for time and temperature sensitive parcel management driven by a proprietary software platform that provides predictive analytics from key metrics such as flight-tracking, weather, and traffic, all delivered to customers via a secure portal. The portal provides real-time visibility into shipment transit and last-mile events, with dynamic dashboards. All aspects of the shipping journey are managed by a dedicated service center. Using our proprietary logistics solution, we provide real-time information and analysis to mitigate supply chain flow interruption, delivering last-mile resolution for key markets, including the perishable healthcare and food industries. Through our Authentication segment, our technologies provide unit level traceability and brand solutions allowing brand owners to gather business intelligence, cross-sell products, monitor product diversion through the supply chain and build brand loyalty through interaction utilizing our unique dynamic codes which are read by consumers with their smart phones. The Company's activities are subject to significant risks and uncertainties. See the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections in this report.

Reclassifications

Certain amounts presented for the three and nine months ended September 30, 2022, reflect reclassifications made to conform to the presentation in our current reporting period. These reclassifications had no effect on the previously reported net loss.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements (the "Interim Statements") include the accounts of VerifyMe and its wholly owned subsidiaries PeriShip Global and Trust Codes Global. All significant intercompany balances and transactions have been eliminated upon consolidation. The consolidated financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and disclosures required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements are not included herein. The Interim Statements should be read in conjunction with the financial statements and notes thereto included in the Company's latest Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission (the "SEC") on March 28, 2023. The accompanying Interim Statements are unaudited; however, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The interim results for the three and nine months ended September 30, 2023, are not necessarily indicative of the results to be expected for the year ending December 31, 2023, or for any future interim periods.

Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts in the consolidated statements of cash flows (dollars in thousands):

	As of	
	September 30, 2023	December 31,2022
Cash and cash equivalents	$ 2,944	$ 3,348
Restricted cash	63	63
Total cash and cash equivalents including restricted cash	$ 3,007	$ 3,411

The Company classifies cash and cash equivalents that are restricted from operating use for the next twelve months as restricted cash. As of September 30, 2023, and December 31, 2022, the Company held $ 63 thousand subject to restrictions.

Segment Reporting

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker, or decision-making group, in deciding the method by which to allocate resources and assess performance. The Company has two reportable segments, namely, (i) Precision Logistics (formerly PeriShip Global) and (ii) Authentication (formerly VerifyMe Solutions). See Note 12 Segment Reporting, for further discussion of the Company's segment reporting structure.

Foreign Currency Translation

The functional currency of our New Zealand operations is the local currency, New Zealand dollar (NZD). The translation of the foreign currency into U. S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using the weighted average exchange rates prevailing during the year. The unrealized gains and losses resulting from such translation are included as a component of comprehensive income. Translation gains and losses arising from currency exchange rate fluctuations on transactions denominated in a currency other than the local functional currency are included in "General and administrative" on our Consolidated Statements of Operations. The foreign currency transaction losses for the three and nine months ended September 30, 2023, were $ 16 thousand and $ 30 thousand, respectively.

Use of Estimates

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

Recent Accounting Pronouncements

In October 2021, the FASB issued Accounting Standards Update No. 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). ASU 2021-08 amends ASC 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The Company adopted the new standard beginning January 1, 2023, and did not have an effect on its financial position, results of operations or cash flows.

Fair Value of Financial Instruments

The Company's financial instruments consist of accounts receivable, unbilled revenue, accounts payable, notes payable and accrued expenses, equity investment, contingent consideration and long-term derivative liabilities. The carrying value of accounts receivable, accounts payable and accrued expenses approximate their fair value because of their short maturities. The Company believes the carrying amount of its notes payable approximates fair value based on rates and other terms currently available to the Company for similar debt instruments.

The Company follows FASB ASC 820, "Fair Value Measurements and Disclosures," and applies it to all assets and liabilities that are being measured and reported on a fair value basis. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

The level in the fair value within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the Company's financial instruments that are measured and recorded at fair value on the Company's balance sheets on a recurring basis, and their level within the fair value hierarchy as of September 30, 2023 and December 31, 2022.

Amounts in Thousands ('000)

	Short Term Investment (Level 1)	Derivative Asset (Liability) (Level 2)	Contingent Consideration (Level 3)
Balance as of December 31, 2022	$ 100	(3)	-
Unrealized loss on fair value recognized in other income (expense)	(2)	-	-
Contingent Consideration at issuance	-	-	(1,125)
Change in fair value of Contingent Consideration	-	-	136
Change in fair value to interest rate, SWAP, recognized in other comprehensive loss	-	4	-
Balance at September 30, 2023	$ 98	$ 1	$ (989)

Equity Investments

When the Company does not have a controlling financial interest in an entity but can exert influence over the entity's operations and financial policies, the investment is accounted for either (i) under the equity method of accounting or (ii) at fair value by electing the fair value option available under applicable generally accepted accounting policies. The Company has elected the fair value option for its equity security under prepaid expenses and other current assets on the Consolidated Balance Sheets, as it has determined the fair value best reflects the economic performance of the equity investment. Changes in unrecognized gain or loss of the fair value of the equity investments are included in Other income (expense) on the accompanying Consolidated Statements of Operations.

Revenue Recognition

The Company accounts for revenues according to Accounting Standards Codification ("ASC") Topic 606, " *Revenue from Contracts with Customers"* which establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers.

The Company applies the following five steps, separated by reportable segments, in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements. For more detailed information about reportable segments, see Note 12 – Segment reporting.

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to performance obligations in the contract; and
- recognize revenue as the performance obligation is satisfied.

The Company generally considers completion of an agreement, or Statement of Work ("SOW") and/or purchase order as a customer contract, provided collection is considered probable.

Precision Logistics

Our Precision Logistics segment consists of two service lines, Proactive and Premium. Under our Proactive service line, clients pay us directly for carrier service coupled with our proactive logistics service. Terms typically range 7 days and no longer than 30 days. The Company has determined it is the principal and recognizes shipment fees in gross revenue. Under our Premium service line, we provide complete white-glove shipping monitoring and predictive analytics services. This service includes customer web portal access, weather monitoring, temperature control, full service center support and last mile resolution. Payment terms are typically 30 days.

Under both service lines in our Precision Logistics segment, our performance obligation is met, and revenue is recognized, when the packages are delivered. The transaction fees consist of fixed consideration made up of amounts contractually billed to the customer. There are no variable considerations in the transaction fee, in either service line.

Authentication

Our Authentication segment primarily consists of our brand protection service line which consists of a custom suite of products that offer clients traceability and brand solutions. Terms typically range between 30 and 90 days. Our performance obligation is met, and revenue is recognized, when our products are shipped or delivered depending on the specific agreement with the customer. The transaction fee is made up of fixed consideration based on the related purchase order or agreement. Warranties and other variable considerations are analyzed by the Company, in terms of historical warranties, current economic trends, and changes in customer demand, and have been determined to be insignificant in the nine months ended September 30, 2023.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets acquired in business combinations. Pursuant to ASC 350, the Company tests goodwill for impairment on an annual basis in the fourth quarter, or between annual tests, in certain circumstances. Under authoritative guidance, the Company first assesses qualitative factors to determine whether it was necessary to perform the quantitative goodwill impairment test. The assessment considers factors such as, but not limited to, macroeconomic conditions, data showing other companies in the industry and our share price. An entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. Events or changes in circumstances which could trigger an impairment review include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, other entity specific events and sustained decrease in share price.

Business Combinations

The Company applies the provisions of Accounting Standard Codification ("ASC") Topic 805, Business Combinations, in the accounting for business acquisitions. ASC 805 requires the Company to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions to accurately apply preliminary value to assets acquired and liabilities assumed at the acquisition date, where applicable, these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments in the current period, rather than a revision to a prior period. Upon the conclusion of the measurement period or final determination of the values of the assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the Consolidated Statements of Operations. Accounting for business combinations requires management to make significant estimates and assumptions, especially at the acquisition date, including estimates for intangible assets where applicable. Although the Company believes the assumptions and estimates made have been reasonable and appropriate, they are based in part on information obtained from management of the acquired companies and are inherently uncertain. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates, or actual results.

Basic and Diluted Net Loss per Share of Common Stock

The Company follows Financial Accounting Standards Board ("FASB") ASC 260, "Earnings Per Share," when reporting earnings per share resulting in the presentation of basic and diluted earnings per share. Because the Company reported a net loss for each of the periods presented, common stock equivalents, including preferred stock, stock options and warrants were anti-dilutive; therefore, the amounts reported for basic and diluted loss per share were the same.

For the nine months ended September 30, 2023, and 2022, there were shares potentially issuable, that could dilute basic earnings per share in the future that were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive to the Company's losses during the periods presented. For the three and nine months ended September 30, 2023, there were approximately 8,385,000 anti-dilutive shares consisting of 2,348,000 unvested performance restricted stock units, restricted stock units, restricted stock awards and options under the stock purchase plan, 307,000 shares issuable upon exercise of stock options, 4,629,000 shares issuable upon exercise of warrants, 957,000 shares issuable upon conversion of convertible debt, and 144,000 shares issuable upon conversion of preferred stock. For the three and nine months ended September 30, 2022, there were approximately 4,852,000 anti-dilutive shares consisting of 757,000 unvested restricted stock units and options under the stock purchase plan, 337,000 shares issuable upon exercise of stock options, 3,614,000 shares issuable upon exercise of warrants, (excludes 1,545,000 warrants not exercisable as of September 30, 2022) and 144,000 shares issuable upon conversion of preferred stock.

Stock-Based Compensation

We account for stock-based compensation under the provisions of FASB ASC 718, "Compensation—Stock Compensation", which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors based on estimated fair values on the grant date. We estimate the fair value of stock options on the date of grant using the Black-Scholes model. The assumptions used in the Black-Scholes option pricing model include risk-free interest rates, expected volatility and expected life of the stock options. Changes in these assumptions can materially affect estimates of fair value stock-based compensation, and the compensation expense recorded in future periods. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods using the straight-line method. For performance restricted stock units with stock price appreciation targets (see Note 7 – Stock Options, Restricted Stock and Warrants), we applied a lattice approach that incorporated a Monte Carlo simulation, which involved random iterations that took different future price paths over the RSU's contractual life based on the appropriate probability distributions (which are based on commonly applied Black Scholes inputs). The fair value was determined by taking the average of the grant date fair values under each Monte Carlo simulation trial. We recognize compensation expense on a straight-line basis over the performance period and there is no ongoing adjustment or reversal based on actual achievement during the period.

We account for stock-based compensation awards to non-employees in accordance with ASU No. 2018-07, Compensation – Stock Based Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07"), which aligns accounting for share-based payments issued to nonemployees to that of employees under the existing guidance of Topic 718, with certain exceptions. This update supersedes previous guidance for equity-based payments to nonemployees under Subtopic 505-50, Equity – Equity-Based Payments to Non-Employees.

All issuances of stock options or other equity instruments to non-employees as consideration for goods or services received by the Company are accounted for based on the fair value of the equity instruments issued. Non-employee equity-based payments are recorded as an expense over the service period, as if we had paid cash for the services. At the end of each financial reporting period, prior to vesting or prior to the completion of the services, the fair value of the equity-based payments will be re-measured, and the non-cash expense recognized during the period will be adjusted accordingly. Since the fair value of equity-based payments granted to non-employees is subject to change in the future, the amount of the future expense will include fair value re-measurements until the equity-based payments are fully vested or the service completed.

NOTE 2 – EQUITY INVESTMENTS

In December 2021, the Company acquired 8,841 shares of 10 % Cumulative Convertible Series D Preferred Stock at a price of $ 10.00 per share as payment for a customer's outstanding AR balance of $88,410. This instrument is considered an equity security within the scope of Topic 321 since the issuing entity has the option but no contractual obligation to redeem the preferred stock, and the Company can convert the preferred shares to common stock. For the three months ended September 30, 2023, there was no change in the fair value. For the nine months ended September 30, 2023, there was an unrealized fair value loss of $ 2 thousand recognized and included in Unrealized (loss) gain on equity investment, in the accompanying Consolidated Statements of Operations. The fair value of the equity investment was $ 98 thousand as of September 30, 2023, and $ 100 thousand as of December 31, 2022, and included in Prepaid expenses and other current assets on the accompanying Consolidated Balance Sheets. The fair value of the equity investment is classified as Level 1 in the fair value hierarchy as the calculation is dependent upon the quoted market price of the entity.

NOTE 3 – REVENUE

Revenue by Category

The following series of tables present our revenue disaggregated by various categories (dollars in thousands).

Revenue	Authentication Three Months Ended September 30, 2023	Authentication Three Months Ended September 30, 2022	Precision Logistics Three Months Ended September 30, 2023	Precision Logistics Three Months Ended September 30, 2022	Consolidated Three Months Ended September 30, 2023	Consolidated Three Months Ended September 30, 2022
Proactive services	$ -	$ -	$ 4,038	$ 4,026	$ 4,038	$ 4,026
Premium services	-	-	1,419	1,010	1,419	1,010
Brand protection services	147	179	-	-	147	179
	$ 147	$ 179	$ 5,457	$ 5,036	$ 5,604	$ 5,215

Revenue	Authentication Nine Months Ended September 30, 2023	Authentication Nine Months Ended September 30, 2022	Precision Logistics Nine Months Ended September 30, 2023	Precision Logistics Nine Months Ended September 30, 2022	Consolidated Nine Months Ended September 30, 2023	Consolidated Nine Months Ended September 30, 2022
Proactive services	$ -	$ -	$ 12,742	$ 7,341	$ 12,742	$ 7,341
Premium services	-	-	3,343	1,926	3,343	1,926
Brand protection services	515	606	-	-	515	606
	$ 515	$ 606	$ 16,085	$ 9,267	$ 16,600	$ 9,873

Contract Balances

The timing of revenue recognition, billings and cash collections results in unbilled revenue (contract assets) and deferred revenue (contract liabilities) on the consolidated balance sheets. Amounts charged to our clients become billable according to the contract terms, which usually consider the delivery completion. Unbilled amounts will generally be billed and collected within 30 days but typically no longer than 60 days. When we advance bill clients prior to the work being performed, generally, such amounts will be earned and recognized in revenue within twelve months. These assets and liabilities are reported on the consolidated balance sheets on a contract-by-contract basis at the end of each reporting period. Changes in the contract asset and liability balances during the nine-month period ended September 30, 2023, were not materially impacted by any other factors.

Applying the practical expedient in ASC Topic 606, we recognize the incremental costs of obtaining contracts (i.e. sales commissions) as an expense when incurred if the amortization period of the assets that we otherwise would have recognized is one year or less. As of September 30, 2023, we did not have any capitalized sales commissions.

For all periods presented, contract liabilities were not significant.

The following table provides information about contract assets from contracts with customers:

	Contract Asset	
	September 30,	
In Thousands	2023	2022
Beginning balance, January 1	$ 1,185	$ -
Contract asset additions	2,316	1,317
Reclassification to accounts receivable, billed to customers	(2,616)	(622)
Ending balance (1)	$ 885	$ 695

(1) Included within "Unbilled revenue" on the accompanying Consolidated Balance sheets.

NOTE 4 – BUSINESS COMBINATIONS

Trust Codes Global Limited

On March 1, 2023, we acquired, through Trust Codes Global, the business and certain assets of Trust Codes Limited ("Trust Codes"), specializing in brand protection, anti-counterfeiting, and consumer engagement technology with an expertise in the food and agriculture industry. Trust Codes Global uses unique QR codes or IoT, coupled with GS1 standards to deliver cloud-based brand protection based on a unique per-item digital identity to protect brand and product authenticity, increase data visualization of a product through the end to end supply chain, and creates a data-drive engine to inform and educate consumers of the product. The Company accounted for the transaction as an acquisition of a business under ASC 805 – Business Combination. The purchase price was approximately $ 1.0 million which consisted of $ 0.36 million in cash paid at closing and 353,492 shares of common stock of the Company, representing $ 0.65 million in stock consideration. In addition, the purchase agreement requires consideration contingent upon the achievement of earnings targets during a five-year period subsequent to the closing of the acquisition. The earn-out consideration is estimated at $ 1.1 million at the acquisition date, however the maximum amount of the payment is unlimited. The preliminary purchase price allocation is subject to change and is expected to be finalized in the fourth quarter of 2023. The goodwill recognized is due to the expected synergies from combining the operations of the acquiree with the Company. All of the goodwill recorded for financial statement purposes is deductible for tax purposes. The Company incurred $ 278 thousand in relation to acquisition related costs which have been included in General and administrative, in the accompanying Consolidated Statements of Operations. Trust Codes Global is included in the Authentication segment and the results of its operations have been included in the consolidated financial statements beginning March 1, 2023. Trust Codes has generated $ 219 thousand in revenues since the acquisition date through September 30, 2023, included in the Consolidated Statements of Operations. The pro-forma financial information for Trust Codes is not required.

The following table summarizes the purchase price allocation for the acquisition (dollars in thousands).

Cash	$ 363	
Fair value of contingent consideration	1,125	
Stock (issuance of 353,492 shares of common stock) (a)	625	
Total purchase price	$ 2,113	
		Amortization Period
Purchase price allocation:		
Prepaid expenses	$ 25	
Property and Equipment, net	18	
ROU Asset	171	
Developed Technology	485	8 years
Trade Names/Trademarks	148	18 years
Customer Relationships	68	10 years
Goodwill	1,383	
Accounts payable and other accrued expenses	(14)	
Current lease liability	(63)	
Long term lease liability	(108)	
	$ 2,113	

(a) Stock issued was calculated based on the 15 day volume-weighted average price ("VWAP") through February 28, 2023 calculated at $1.8388.

Contingent Consideration

ASC Topic 805 requires that contingent consideration to be recognized at fair value on the acquisition date and be re-measured each reporting period with subsequent adjustments recognized in the consolidated statement of operations. We estimate the fair value of contingent consideration liabilities using an appropriate valuation methodology, typically either an income-based approach or a simulation model, such as the Monte Carlo model, depending on the structure of the contingent consideration arrangement. Contingent consideration is valued using significant inputs that are not observable in the market which are defined as Level 3 inputs pursuant to fair value measurement accounting. We believe our estimates and assumptions are reasonable; however, there is significant judgment involved. At each reporting date, the contingent consideration obligation is revalued to estimated fair value, and changes in fair value subsequent to the acquisitions are reflected in income or expense in the consolidated statements of operations, and could cause a material impact to, and volatility in, our results. Changes in the fair value of contingent consideration obligations may result from changes in discount periods and rates and changes in the timing and amount of revenue and/or earnings projections.

As of September 30, 2023, contingent consideration presented as current liability totaled $ 162 thousand. As of September 30, 2023, we also had accrued long term contingent consideration totaling $ 827 thousand related to the acquisition of Trust Codes on the consolidated balance sheets and represents the portion of contingent consideration estimated to be payable greater than twelve months from the balance sheet date.

NOTE 5 – INTANGIBLE ASSETS AND GOODWILL

Goodwill

Goodwill represents costs in excess of values assigned to the underlying net assets of acquired businesses. Intangible assets acquired are recorded at estimated fair value. Goodwill is deemed to have an indefinite life and is not amortized but is tested for impairment annually, and at any time when events suggest an impairment more likely than not has occurred. We test goodwill at the reporting unit level.

ASC Topic 350, *Intangibles - Goodwill and Other* (ASC Topic 350), permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. Under ASC Topic 350, an entity is not required to perform a quantitative goodwill impairment test for a reporting unit if it is more likely than not that its fair value is greater than its carrying amount. A reporting unit is an operating segment, or one level below an operating segment, as defined by U.S. GAAP.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but are unpredictable and inherently uncertain. Actual future results may differ from those estimates. The timing and frequency of our goodwill impairment tests are based on an ongoing assessment of events and circumstances that would indicate a possible impairment. We will continue to monitor our goodwill and intangible assets for impairment and conduct formal tests when impairment indicators are present.

Each of our two reportable segments represents an operating segment under ASC Topic 280, *Segment Reporting*. We test our goodwill at the reporting unit level, or one level below an operating segment, under ASC Topic 350, *Intangibles - Goodwill and Other*. We determined that we have two reporting units for purposes of goodwill impairment testing, which represent our two reportable business segments, as discussed below.

Changes in the carrying amount of goodwill by reportable business segment for the nine months ended September 30, 2023, were as follows (in thousands):

	Authentication	Precision Logistics	Total
Net book value at January 1, 2023	$ -	$ 3,988	$ 3,988
2023 Activity			
Acquisition of Trust Codes Global	1,383	-	1,383
Foreign currency translation	(58)	-	(58)
Net book value at September 30, 2023	$ 1,325	$ 3,988	$ 5,313

Table of Contents

Intangible Assets Subject to Amortization

Our intangible assets include amounts recognized in connection with patents and trademarks, capitalized software and acquisitions, including customer relationships, tradenames, developed technology and non-compete agreements. Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Amortization is recognized on a straight-line basis over the estimated useful life of the intangible assets. Intangible assets with definite lives are reviewed for impairment if indicators of impairment arise. Except for goodwill, we do not have any intangible assets with indefinite useful lives.

Intangible assets with finite lives are subject to amortization over their estimated useful lives. The primary assets included in this category and their respective balances were as follows (in thousands):

September 30, 2023	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Useful Life (Years)
Patents and Trademarks	$ 2,045	$ (538)	$ 1,507	13
Capitalized Software	161	(101)	60	2
Customer Relationships	1,904	(269)	1,635	9
Developed Technology	3,607	(789)	2,818	5
Internally Used Software	812	(40)	772	5
Non-Compete Agreement	191	(55)	136	4
Deferred Implementation	198	(19)	179	9
Total Intangible Assets	$ 8,918	$ (1,811)	$ 7,107	
December 31, 2022				
Patents and Trademarks	$ 1,858	$ (445)	$ 1,413	13
Capitalized Software	206	(91)	115	3
Customer Relationships	1,839	(133)	1,706	9
Developed Technology	3,143	(360)	2,783	5
Internally Used Software	236	(4)	232	6
Non-Compete Agreement	191	(28)	163	4
Deferred Implementation	140	(7)	133	10
Total Intangible Assets	$ 7,613	$ (1,068)	$ 6,545	

Amortization expense for intangible assets was $ 266 thousand and $ 248 thousand for the three months ended September 30, 2023, and 2022, respectively, and $ 761 thousand and $ 446 thousand for the nine months ended September 30, 2023, and 2022, respectively. During the nine months ended September 30, 2023, the Company impaired certain assets related to its Developed Technology and Patents by $ 28 thousand and $ 6 thousand, respectively, to bring the gross carrying amount related to these assets to zero, as these technologies are no longer in use.

Patents and Trademarks

As of September 30, 2023, our current patent and trademark portfolios consist of nine granted U.S. patents and one granted European patent validated in four countries (France, Germany, United Kingdom, and Italy), five pending U.S. and foreign patent applications, twenty-six registered U.S. trademarks (of which seven trademarks were acquired through our wholly owned subsidiary, PeriShip Global), two EU trademark registrations, one Colombian trademark registration, one Australian trademark registration, one Japanese trademark registration, one Mexican trademark registration, one Singaporean trademark registration, two UK trademark registrations, six NZ trademark registration (in the name of Trust Codes Limited and/or Trust Codes Global Limited), one OAPI (African Intellectual Property Organization) trademark registration (in the name of Trust Codes Global Limited), and seven pending US and foreign trademark applications (of which one European trademark application is in the name of Trust Codes Limited). The Company abandoned three patents during the nine months ended September 30, 2023.

The Company expects to record amortization expense of intangible assets over the next 5 years and thereafter as follows (in thousands):

Fiscal Year ending December 31,		
2023 (three months remaining)	$	291
2024		1,137
2025		1,112
2026		1,108
2027		1,073
Thereafter		2,386
Total	$	7,107

NOTE 6 – STOCKHOLDERS' EQUITY

The Company expensed $ 177 thousand and $ 325 thousand related to restricted stock awards for the three and nine months ended September 30, 2023, respectively. The Company expensed $ 33 thousand and $ 206 thousand related to restricted stock awards for the three and nine months ended September 30, 2022, respectively.

The Company expensed $ 316 thousand and $ 728 thousand related to restricted stock units for the three and nine months ended September 30, 2023, and $ 289 thousand and $ 766 thousand related to restricted stock units for the three and nine months ended September 30, 2022.

On February 28, 2023, 353,492 shares of common stock were issued in relation to the acquisition of Trust Codes Global, see Note 4 – Business Combinations, for details.

Non-Qualified Stock Purchase Plan

On June 10, 2021, the stockholders of the Company approved a non-qualified stock purchase plan (the "2021 Plan"). The 2021 Plan provides eligible participants, including employees, directors and consultants of the Company, the opportunity to purchase shares of the Company's common stock thereby increasing their interest in the Company's continued success. The maximum number of common stock reserved and available for issuance under the 2021 Plan is 500,000 shares. The purchase price of shares of common stock acquired pursuant to the exercise of an option will be the lesser of 85% of the fair market value of a share (a) on the enrollment date, and (b) on the exercise date. The 2021 Plan is not intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). The Company applied FASB ASC 718, "Compensation-Stock Compensation" and estimated the fair value using the Black-Scholes model, as the 2021 Plan is considered compensatory. In relation to the 2021 Plan the Company expensed $ 5 thousand and $ 46 thousand for the three and nine months ended September 30, 2023, respectively, and $ 31 thousand and $ 98 thousand, respectively during the three and nine months ended September 30, 2022. During the nine months ended September 30, 2023 and 2022, the Company received $ 80 thousand and $ 102 thousand, respectively, in proceeds related to the 2021 Plan.

Shares Held in Treasury

As of September 30, 2023, and December 31, 2022, the Company had 334,866 and 389,967 shares, respectively, held in treasury with a value of approximately $ 748 thousand and $ 949 thousand, respectively.

On August 31, 2023, 6 participants exercised their option under the Company's non-qualified stock purchase plan, and as a result, 12,802 shares were issued from treasury, with an exercise price of $ 0.96 per share.

On February 28, 2023, fourteen participants exercised their option under the Company's non-qualified stock purchase plan, and as a result, 57,245 shares were issued, of which 48,500 were issued from treasury, with an exercise price of $ 1.19 per share.

On August 31, 2022, four participants exercised their option under the Company's non-qualified stock purchase plan, and as a result, 28,895 shares were issued from treasury with an exercise price of $ 1.20 per share.

On February 28, 2022, five participants exercised their option under the Company's non-qualified stock purchase plan, and as a result, 25,000 shares were issued from treasury with an exercise price of $ 2.69 per share.

Shares Repurchase Program

Effective July 1, 2022, the Company's Board of Directors approved a share repurchase program to allow the Company to spend up to $ 1.5 million to repurchase shares of its common stock, so long as the price does not exceed $5.00. This plan ended on July 1, 2023. During the nine months ended September 30, 2023, the Company repurchased 6,201 shares of common stock for $ 10 thousand under the Company's repurchase program.

NOTE 7 – STOCK OPTIONS, RESTRICTED STOCK AND WARRANTS

During 2013, the Company adopted the 2013 Omnibus Equity Compensation Plan (the "2013 Plan"). Under the 2013 Plan, the Company is authorized to grant awards of stock options, restricted stock, restricted stock units and other stock-based awards up to an aggregate of 400,000 shares of common stock. The 2013 Plan is intended to permit certain stock options granted to employees under the 2013 Plan to qualify as incentive stock options. All options granted under the 2013 Plan, which are not intended to qualify as incentive stock options are deemed to be non-qualified stock options.

On November 14, 2017, the Executive Committee of the Company's Board of Directors adopted the 2017 Equity Incentive Plan (the "2017 Plan") which covered the potential issuance of 260,000 shares of common stock. The 2017 Plan provided that directors, officers, employees, and consultants of the Company were eligible to receive equity incentives under the 2017 Plan at the discretion of the Board or the Board's Compensation Committee.

On August 10, 2020, the Company's Board of Directors adopted the 2020 Equity Incentive Plan (the "2020 Plan"), subject to stockholder approval, which authorizes the potential issuance of up to 1,069,110 shares of common stock. On September 30, 2020, the Company's stockholders approved the 2020 Plan, and upon such approval the 2020 Plan became effective and the 2017 Plan was terminated. Shares of common stock underlying existing awards under the 2017 Plan may become available for issuance pursuant to the terms of the 2020 Plan under certain circumstances. Employees and non-employee directors of the Company or its affiliates, and other individuals who perform services for the Company or any of its affiliates, are eligible to receive awards under the 2020 Plan at the discretion of the Board of Directors or the Board's Compensation Committee.

On March 28, 2022, the Company's Board of Directors adopted the First Amendment to the 2020 Plan, subject to stockholder approval, which increased the shares authorized for potential issuance under the 2020 Plan to 2,069,100 shares of common stock and extended the term of the 2020 Plan to June 9, 2023. On June 9, 2022, the Company's stockholders approved the First Amendment to the 2020 Plan. On April 17, 2023, the Company's Board of Directors adopted the Second Amendment to the 2020 Plan, subject to stockholder approval, which increased the shares authorized for potential issuance under the 2020 Plan to 3,069,100 shares of common stock and extended the term of the 2020 Plan to June 6, 2033. On June 6, 2023, the Company's stockholders approved the Second Amendment to the 2020 Plan.

The 2020 Plan, as amended, is administered by the Compensation Committee which determines the persons to whom awards will be granted, the number of awards to be granted and the specific terms of each grant, including the vesting thereof, subject to the provisions of the plan.

In connection with incentive stock options, the exercise price of each option may not be less than 100% of the fair market value of the common stock on the date of the grant (or 110% of the fair market value in the case of a grantee holding more than 10% of the outstanding stock of the Company). The aggregate fair market value (determined at the time of the grant) of stock with respect to which incentive stock options are exercisable for the first time by any individual during any calendar year (under all plans of the Company and its affiliates) shall not exceed $100 thousand, and the options in excess of $100 thousand shall be deemed to be non-qualified stock options, including prices, duration, transferability and limitations on exercise. The maximum number of shares of common stock that may be issued under the 2020 Plan pursuant to incentive stock options may not exceed, in the aggregate, 1,000,000 .

The Company has issued non-qualified stock options pursuant to contractual agreements with non-employees. Options granted under the agreements are expensed when the related service or product is provided. Determining the appropriate fair value of stock-based awards requires the input of subjective assumptions. The Company uses the Black-Scholes option pricing model to value its stock option awards. The assumptions used in calculating the fair value represent management's best estimates and involve inherent uncertainties and judgements.

Stock Options

The following table summarizes the activities for the Company's stock options as of September 30, 2023:

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted - Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)[(1)]
Balance as of December 31, 2022	337,471	$ 4.63		
Granted	-	-		
Forfeited/Cancelled/Expired	(30,000)	$ 4.67		
Balance as of September 30, 2023	307,471	$ 4.62		
Exercisable as of September 30, 2023	307,471	$ 4.62	1.4	$ -

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock for options that were in-the-money at each respective period.

Table of Contents

As of September 30, 2023, the Company had no unvested stock options.

During the three and nine months ended September 30, 2023, and 2022, the Company expensed $ 0 thousand, respectively, with respect to options.

As of September 30, 2023, there was $ 0 unrecognized compensation cost related to outstanding stock options.

Restricted Stock Awards and Restricted Stock Units

The following table summarizes the unvested restricted stock awards as of September 30, 2023:

	Number of Award Shares	Weighted - Average Grant Date Fair Value
Unvested at December 31, 2022	41,808	3.24
Granted	506,194	1.45
Vested	(131,333)	2.06
Balance September 30, 2023	416,669	$ 1.44

As of September 30, 2023, total unrecognized share-based compensation cost related to unvested restricted stock awards is $ 411 thousand, which is expected to be recognized over a weighted-average period of less than one year.

The following table summarizes the unvested restricted stock units as of September 30, 2023:

	Number of Unit Shares	Weighted - Average Grant Date Fair Value
Unvested at December 31, 2022	413,626	2.14
Granted	272,941	1.35
Vested	(221,933)	2.93
Balance September 30, 2023	464,634	$ 1.30

As of September 30, 2023, total unrecognized share-based compensation cost related to unvested restricted stock units was $ 401 thousand, which is expected to be recognized over a weighted-average period of 1.4 years.

For RSUs with stock price appreciation targets, we applied a lattice approach that incorporated a Monte Carlo simulation, which involved random iterations that took different future price paths over the RSU's contractual life based on the appropriate probability distributions (which are based on commonly applied Black Scholes inputs). The fair value of each grant was determined by taking the average of the grant date fair values under each Monte Carlo simulation trial. We recognize compensation expense on a straight-line basis over the derived service period and there is no ongoing adjustment or reversal based on actual achievement during the period.

The following table summarizes the unvested performance restricted stock units as of September 30, 2023:

	Number of Unit Shares	Weighted - Average Number of Unit Shares
Unvested at December 31, 2022	432,326	2.95
Granted	1,156,591	1.16
Forfeited/Cancelled	(150,157)	2.95
Balance September 30, 2023	1,438,760	$ 1.51

As of September 30, 2023, total unrecognized share-based compensation cost related to unvested performance restricted stock units was $ 1,373 thousand, which is expected to be recognized over a weighted-average period of 1.9 years.

Warrants

The following table summarizes the activities for the Company's warrants for the nine months ended September 30, 2023:

	Number of Warrant Shares	Weighted-Average Exercise Price	Weighted - Average Remaining Contractual Term in years)	Aggregate Intrinsic Value (in thousands)(1)
Balance as of December 31, 2022	5,103,455	$ 4.34		
Granted	-	-		
Expired	(474,869)	6.34		
Balance as of September 30, 2023	4,628,586	$ 4.13	2.5	
Exercisable as of September 30, 2023	4,628,586	$ 4.13	2.5	$ -

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying warrants and the closing stock price of $1.17 for our common stock on September 30, 2023.

NOTE 8—DEBT

PeriShip Global is a party to a debt facility with PNC Bank, National Association (the "PNC Facility"). The PNC Facility includes a $1 million revolving line of credit (the "RLOC") with a term of one-year which was extended to December 14, 2023. The RLOC has no scheduled payments of principal until maturity, and bears interest per annum at a rate equal to the sum of Daily SOFR plus 2.85% with monthly interest payments. The PNC Facility also includes a four-year term note (the "Term Note") for $2 million which matures in September of 2026 and requires equal quarterly payments of principal and interest. The Term Note incurs interest per annum at a rate equal to the sum of Daily SOFR plus 3.1%. The RLOC and Term Note are guaranteed by VerifyMe and secured by the assets of PeriShip Global and VerifyMe.

The PNC Facility includes a number of affirmative and restrictive covenants applicable to PeriShip Global, including, among others, a financial covenant to maintain a fixed charge coverage ratio of at least 1.10 to 1.00 at the end of each fiscal year, affirmative covenants regarding delivery of financial statements, payment of taxes, and establishing primary depository accounts with PNC Bank, and restrictive covenants regarding dispositions of property, acquisitions, incurrence of additional indebtedness or liens, investments and transactions with affiliates. PeriShip Global is also restricted from paying dividends or making other distributions or payments on its capital stock if an event of default (as defined in the PNC Facility) has occurred or would occur upon such declaration of dividend. PeriShip Global was in compliance with all affirmative and restrictive covenants under the PNC Facility at September 30, 2023.

As of September 30, 2023, our short-term debt outstanding under the Term Note was $ 0.5 million and total long-term debt outstanding under the Term Note was $ 1.0 million. During the nine months ended September 30, 2023, the Company made a repayment of $ 375 thousand towards the principal of the outstanding Term Note.

During the nine months ended September 30, 2023, $ 800 thousand was drawn on the RLOC, of which $ 300 thousand was repaid. As of September 30, 2023, $ 500 thousand was outstanding on the RLOC and is included in short-term debt outstanding.

Effective October 17, 2022, the Company entered into an interest rate swap agreement, with a notional amount of $ 1,958 thousand, effectively fixing the interest rate on the Company's outstanding debt at 7.602 %. The Company has designated the intertest rate swap, expiring September 2026, as a cash flow hedge and have applied hedge accounting. The fair value of the derivative asset and liability associated with the interest rate swap are not significant as of September 30, 2023, and as of December 31, 2022, respectively.

Convertible Debt

On August 25, 2023, the Company entered into a Convertible Note Purchase Agreement with certain investors for the sale of convertible promissory notes for the aggregate principal amount of $ 1,100 thousand of which $ 425 thousand was purchased by related parties including certain members of management and the Board of Directors. The notes are subordinated unsecured obligations of the Company and accrue interest at a rate of 8% per year payable semiannually in arrears on February 25 and August 25 of each year, beginning on February 25, 2024. The notes will mature on August 25, 2026 unless earlier converted or repurchased at a conversion price of $1.15 per share of common stock. The Company may not redeem the notes prior to the maturity date. For the three and nine months ended September 30, 2023 interest expense related to the convertible debt was $ 9 thousand and $ 9 thousand, respectively. As of September 30, 2023 the amount outstanding on the convertible debt was $ 1,100 thousand and included in Convertible debt on the accompanying Consolidated Balance Sheets.

NOTE 9—INCOME TAXES

There are no taxes payable as of September 30, 2023, or December 31, 2022.

Some of the federal tax carry forwards will expire at various dates through 2037. Generally, these can be carried forward and applied against future taxable income at the tax rate applicable at that time. We are currently using an effective income tax rate of 21 % for our projected available net operating loss carry-forward. No tax benefit has been recognized in the nine months ending September 30, 2023, due to the uncertainty surrounding the realizability of the benefit.

Utilization of the net operating losses (NOL) carryforwards may be subject to a substantial annual limitation as required by Section 382 of the IRC, due to ownership changes of the company that could occur in the future, as well as similar state provisions. In general, an "ownership change" as defined by Section 382 results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock of a company by certain stockholders. These ownership changes may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income.

In accordance with FASB ASC 740 "Income Taxes", valuation allowances are provided against deferred tax assets, if based on the weight of available evidence, some or all, of the deferred tax assets may or will not be realized. The Company did not utilize any NOL deductions for the nine months ended September 30, 2023.

The Company acquired certain assets and the business of Trust Codes Limited on March 1, 2023. Intangible assets have been established in the amount of $ 701 thousand for trademarks, customer relationships and developed technology. These assets will be amortized over 15 years for tax purposes, while for book purposes they will be amortized over varying useful lives ranging from 8 to 18 years. In addition, goodwill of $ 1,383 thousand was established. Goodwill is not amortizable for book purposes but is amortizable for tax over a period of 15 years. These timing differences will result in the creation of deferred tax assets in future quarters. As of September 30, 2023, the differences are not material. See Note 5. Intangible Assets and Goodwill.

NOTE 10– LEASES

The Company accounts for its leases under Accounting Standard Codification ("ASC") Topic 842, Leases. The Company determines at its inception whether an arrangement that provides us control over the use of an asset is a lease. We recognize at lease commencement a right-of-use (ROU) asset and lease liability based on the present value of the future lease payments over the lease term. We have elected not to recognize a ROU asset and lease liability for leases with terms of 12 months or less. Our current long-term leases include an option to extend the term of the lease prior to the end of the initial term. It is not reasonably certain that we will exercise the option and have not included the impact of the option in the lease term for purposes of determining total future lease payments. As our lease agreement does not explicitly state the discount rate implicit in the lease, we use our promissory note borrowing rate to calculate the present value of future payments.

In addition to the base rent, real estate leases typically contain provisions for common-area maintenance and other similar services, which are considered non-lease components for accounting purposes. For our real estate leases, we apply a practical expedient to include these non-lease components in calculating the ROU asset and lease liability. For all other types of leases, non-lease components are excluded from our ROU assets and lease liabilities and expensed as incurred.

We have operating leases for office facilities. We do not have any finance leases.

Lease expenses are included in General & administrative expenses on the accompanying Consolidated Statements of Operations. The components of lease expense were as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Operating lease cost	$ 47	$ 32	$ 132	$ 53
Short-term lease cost	5	4	23	11
Total lease costs	$ 52	$ 36	$ 155	$ 64

Supplemental information related to leases was as follows (dollars in thousands):

	September 30, 2023	December 31, 2022
Operating Lease right-of-use asset	$ 506	$ 469
Current portion of operating lease liabilities	$ 160	$ 115
Non-current portion of operating lease liabilities	346	359
Total operating lease liabilities	$ 506	$ 474
Cash paid for amounts included in the measurement of operating lease liabilities	$ 138	$ 80
Right-of-use assets obtained in exchange for operating lease liabilities	$ -	$ 552
Weighted-average remaining lease term for operating leases (years)	3.3	
Weighted average discount rate for operating leases	6.4%	

The following is a reconciliation of future undiscounted cash flows to the operating lease liabilities on our consolidated balance sheets as of September 30, 2023 (in thousands):

Year ended December 31,	
2023 (Excluding nine months ended September 2023)	$ 36
2024	188
2025	193
2026	139
2027	45
Thereafter	
Total future lease payments	601
Less: imputed interest	(95)
Present value of future lease payments	506
Less: current portion of lease liabilities	(160)
Long-term lease liabilities	$ 346

NOTE 11– CONCENTRATIONS

For the three months ended September 30, 2023 and 2022, one customer represented 23 % and 16 % of revenues, respectively. For the nine months ended September 30, 2023 and 2022, one customer represented 18 % of revenues and 17 % of revenues, respectively.

As of September 30, 2023, one customer made up 34 % of accounts receivable.

During the three and nine months ended September 30, 2023, one vendor accounted for 99 % of transportation cost, in our Precision Logistics segment.

NOTE 12 – SEGMENT REPORTING

As of September 30, 2023, we operated through two reportable business segments: (i) Precision Logistics (formerly PeriShip Global Solutions) and (ii) Authentication (formerly VerifyMe Solutions).

Precision Logistics: This segment offers a value-added service provider for time and temperature sensitive parcel management. Through logistics management from a sophisticated IT platform with proprietary databases, package and flight-tracking software, weather, traffic, as well as dynamic dashboards with real-time visibility into shipment transit and last-mile events that are managed by a service center we provide our clients an end-to-end vertical approach for their most critical service delivery needs. Using our proprietary IT platform, we provide real-time information and analysis to mitigate supply chain flow interruption, delivering last-mile resolution for key markets, including the perishable healthcare and food industries.

Authentication: This segment specializes in solutions that connect brands with consumers through their products. Consumers can authenticate products with their smart phone prior to usage, and brand owners have the ability to gather business intelligence while engaging directly with their consumers. Our Authentication segment also provides brand protection and supply chain functions such as counterfeit prevention.

We do not allocate the following items to the segments: general & administrative expenses, sales & marketing expenses, research and development and other income (expense).

The following table sets forth the revenue and operating results attributable to each reportable segment and includes a reconciliation of segment revenue to consolidated revenue and operating results to consolidated loss before income tax expense (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue:				
Precision Logistics	$ 5,457	$ 5,036	$ 16,085	$ 9,267
Authentication	147	179	515	606
Total Revenue	$ 5,604	$ 5,215	$ 16,600	$ 9,873
Gross Profit:				
Precision Logistics	$ 2,155	$ 1,722	$ 5,460	$ 3,231
Authentication	137	133	406	432
Total Gross Profit	2,292	1,855	5,866	3,663
General and administrative	2,754	2,213	7,852	6,213
Research and development	5	39	23	73
Sales and marketing	388	478	1,388	1,224
LOSS BEFORE OTHER (EXPENSE) INCOME	(855)	(875)	(3,397)	(3,847)
OTHER (EXPENSE) INCOME	(75)	318	5	(10,659)
NET LOSS	$ (930)	$ (557)	$ (3,392)	$ (14,506)

Additional information relating to our business segments is as follows (in thousands):

Identifiable assets:

	As of	
	September 30, 2023	December 31,2022
Precision Logistics	$ 13,656	$ 17,302
Authentication	5,150	3,450
Total Assets	$ 18,806	$ 20,752

NOTE 13 – SUBSEQUENT EVENTS

On November 2, 2023 the Company issued 56,272 shares of common stock upon vesting of 72,329 restricted stock units, net of 16,057 withheld for taxes.

On November 3, 2023, PeriShip Global entered into a waiver and amendment to loan documents and received a waiver for certain events of default and entered into an amended and restated loan agreement with PNC effective October 31, 2023, which provided amendments to a number of affirmative and restrictive covenants applicable to PeriShip Global and extended the RLOC to September 30, 2024.

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

The information in this Management's Discussion and Analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and notes.

Cautionary Note Regarding Forward-Looking Statements

This report includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "target," "potential," "will," "expect" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical facts contained in this report, including among others, our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements.

Our actual results and financial condition may differ materially from those expressed or implied in such forward-looking statements. Therefore, you should not rely on any of these forward-looking statements.

For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections in this report, our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, and our other filings with the Securities and Exchange Commission (the "SEC"). All forward-looking statements in this report are made only as of the date hereof or as indicated and represent our views as of the date of this report. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise, except as required by law.

Table of Contents

Overview

VerifyMe, Inc. ("VerifyMe") together with its subsidiaries, including PeriShip Global, LLC ("PeriShip Global") and Trust Codes Global Limited ("Trust Codes Global"), (together the "Company," "we," "us," or "our"), is a software driven predictive analytics logistics provider of high-touch end-to-end logistics management which represents most of our current revenue stream. In addition, VerifyMe technologies provide product traceability and brand solutions. Our operations are split into two segments: Precision Logistics and Authentication. Through our Precision Logistics segment, we provide a value-added service for time and temperature sensitive parcel management driven by a proprietary software platform that provides predictive analytics from key metrics such as flight-tracking, weather, and traffic, all delivered to customers via a secure portal. The portal provides real-time visibility into shipment transit and last-mile events which is supported by a service center. Using our proprietary logistics solution, we provide real-time information and analysis to mitigate supply chain flow interruption, delivering last-mile resolution for key markets, including the perishable healthcare and food industries. Through our Authentication segment our technologies provide unit level traceability and brand solutions allowing brand owners to gather business intelligence, cross-sell products, monitor product diversion through the supply chain and build brand loyalty through interaction utilizing our unique dynamic codes which are read by consumers with their smart phones. Further information regarding our business segments is discussed below:

Precision Logistics: The Precision Logistics (formerly PeriShip Global Solutions) segment specializes in predictive analytics for optimizing delivery of time and temperature sensitive perishable products. We manage complex industry-specific shipping logistic processes that require critical time, temperature control and handling to prevent spoilage and extreme delivery times and brand impairment. Utilizing predictive analytics from multiple data sources including flight-tracking, weather, traffic, major carrier feeds, and time of day data, we provide our clients an end-to-end vertical approach for their most critical service delivery needs. Using our proprietary IT platform, we provide real-time information and analysis to mitigate supply chain flow interruption, delivering last-mile resolution for key markets, including the perishable healthcare and food industries.

Through our proprietary PeriTrack ® customer dashboard, we provide an integrated tool that gives our customers an in-depth look at their shipping activities and allows them access to critical information in support of the specific needs of the supply chain stakeholders. We offer post-delivery services such as customized reporting for trend analysis, system performance reports, power outage maps, and other tailored reports.

Precision Logistics generates revenue from two business service models.

- **ProActive Service** – clients pay us directly for carrier service coupled with our proactive logistics assistance.
- **Premium Service** – clients pay us directly or through our carrier partner for our complete white-glove shipping monitoring and predictive analytics service. This service includes customer web portal access, weather monitoring, temperature control, full service center support and last mile resolution.

Products: The Precision Logistics segment includes the following bundled services as part of our service offerings to our customers:

- **PeriTrack ®**: Our proprietary PeriTrack® customer dashboard was developed utilizing our extensive logistics operational knowledge. This integrated web portal tool gives our customers an in-depth look at their shipping activities based on real-time data. The PeriTrack® dashboard was designed to provide critical information in support of the specific needs of supply chain stakeholders and gives our customer resolution specialists a 360° view of shipping activity. PeriTrack® features tools tailored for shippers of perishable goods, which includes the In-Transit Shipment Tracker. This tool provides details on the unique shipper's in-transit shipments, with the ability to select and analyze data on individual shipments.

- **Service Center** : We have assembled a team of customer resolution specialists based in the U.S. This service team resolves shipping problems on behalf of our customers. The service center acts as a help desk and monitors shipping to delivery for our customers.

- **Pre-Transit Service**: We help clients prepare their products for shipments by advising clients on packaging requirements for various types of perishable products. Each product type requires its own particular packaging to protect it during shipment, and we utilize our extensive knowledge and research to provide our customers with packaging recommendations to meet their unique needs.

Table of Contents

- **Post-Delivery**: We provide customized reporting for trend analysis, system performance reports, power outage maps, and many other reports to help our customers improve their processes and customer service outcomes.

- **Weather/Traffic Service**: We have full-time meteorologists on staff to monitor weather. A package may experience a variety of weather conditions between the origin and destination, and our team actively monitors these conditions to maximize the number of timely and safely transmitted shipments. Similarly, traffic and construction also create unpredictable delays which our team works diligently to mitigate. If delays or other issues occur we inform clients and work with them to proactively resolve such shipment issues.

Authentication: The Authentication (formerly VerifyMe Solutions) segment specializes in traceability to connect brands with consumers through their product. This is critical in the current landscape of increased regulations, as well as increased counterfeit activity and product diversion. The ability to predict fraud or abnormal behavior while tracing an item's journey from production through to the consumer's hands provides consumers and brands the assurance they require. VerifyMe has custom software, patented technologies, and a cloud environment that combines machine learning and data science to meet the needs of consumers and brands. In addition, the personalized consumer experience with the brand creates a connection that increases brand perception and loyalty.

Products: We have a custom suite of products that offer clients traceability and brand solutions. These products are combined with "software as a service" or "SAAS" which is stored in the cloud and accessed through the internet.

- **VerifyMe Engage™** for brand enhancement allowing the brand owner to gather business intelligence and engage with customers
- **VerifyMe Authenticate™** using rare earth-based ink taggants for instant authentication of labels, packaging and products
- **VerifyMe Track & Trace™** for unit level traceability and supply chain control

Opportunities

Precision Logistics: Currently most shipping businesses utilize the carrier's data platform for tracking which generally informs the shipping enterprise, and their customers, when a package is in transit, when a package has been delivered, and some level of detail of the path which a package traveled. We believe taking the data feeds from a carrier and adding real-time visibility with predictive analytics and the human intervention factor of our service center gives us a major competitive advantage against other third-party platforms that solely rely on the carrier's data feeds. We utilize a variety of input sources beyond the carrier's data feed. Our proprietary "Predictive Analytics" technology is fed real-time meteorology data, traffic and road construction data, and power grid information to help predict issues before they happen. If an alert is created the shipper and our service center will work to address the issue and save the perishable product from spoiling, saving the shipper significant costs and reducing the need to replace products that are no longer viable. We have two meteorologists on staff that track world-wide weather patterns to address predicted issues before they happen. We believe the company has two significant areas of opportunity. First, our services are specifically designed to address the needs of small and medium size agriculture, food and beverage companies. Second, the pharmaceutical and healthcare industries represent significant opportunities due to the enhanced tracking and customer service associated with distribution of these products. We are focusing our sales emphasis on those industries. In addition, we feel that combining our authentication solutions into the product offering for Precision Logistics clientele, gives our Precision Logistics segment a competitive advantage to generate revenue by enhancing clients' ability to grow revenue, gain business intelligence and build brand loyalty.

The current global logistics industry worldwide is facing an economic slowdown. We believe this represents an opportunity since major global carriers are cutting internal staff and are reducing research and development investments. To maintain their credibility in the market, these carriers will need to ensure they meet their customers' demands for time and temperature sensitive shipments, while maintaining their overheads. We believe outsourcing this function to our Precision Logistics segment provides the ideal solution for all parties involved.

Building logistics infrastructure is a capital-intensive process as the investment is locked in for a considerably long period. Due to the current economic environment, and our cost competitive offering, we believe companies will opt to outsource their precision logistics services to reduce their operational costs. The outsourcing of supply chain related and other logistics operations to service providers such as ours allows companies to improve the efficiency of their businesses by focusing their resources on core competencies.

Authentication: We believe the products in our Authentication segment have applications in many areas. Currently, we are aggressively marketing opportunities in the following areas:

- Agriculture, Food and Beverage – Food safety is becoming more common as supply chains become more global and as imaging and manufacturing technology become more accessible. Food traceability, sustainability and carbon neutral production is becoming a significant consideration for brand and governments. We believe our unit level traceability and authentication solutions can help brands tell their story about sustainability and battle against tainted or substandard foods and beverages.

- Pharmaceuticals/nutraceuticals – We believe counterfeit prescription pharmaceuticals and nutraceuticals are a growing problem, widely recognized as a public health risk and a serious concern to public health officials, private companies, and consumers. Counterfeiting can apply to both branded and generic products and counterfeit pharmaceuticals may include products with the correct ingredients but fake packaging, with the wrong ingredients, without active ingredients or with insufficient active ingredients. The United States enacted legislation requiring the implementation of a comprehensive system designed to combat counterfeit, diluted or falsely labelled pharmaceuticals, referred to as serialization or electronic pedigree (e-Pedigree). Our consumer facing visible codes and unique pigments embedded in the ink of a unique serialized barcode can provide a layered security foundation for a customer solution in this market. We are seeking to expand our business in this market and believe that as additional pharmaceutical companies seek to comply with the legislation, our products will provide attractive alternatives to address the need for product identifiers.
- Consumer Products – We believe our technology solutions are particularly suited for the cosmetics, health and beauty and apparel industries. We give the consumer the ability to test a product's authenticity instantly with a smartphone. We can protect brand owners from liability litigation, product diversion and lost financial sales with our consumer facing visible codes and unique ink pigments which can be incorporated in dyes and used by manufacturers in these industries to combat counterfeiting and piracy of actual physical goods. Our pigments expressed as inks can also be used on packaging, as well as to track products that have been lost in transit, whether misplaced or stolen.

In addition, in each of these markets, our SaaS software allows brand owners and consumers to track the products and will alert the consumer or brand owner of product diversion with 24/7 monitoring. As each product has a unique code, this allows consumers and brand owners to authenticate the product in real time and link directly to the brand owner's website for additional product information, discounts, and more.

Synergies: We believe that Precision Logistics and Authentication segments have synergistic product centric technology platforms and combined have a compelling technology offering for brand owners. For example, currently our Precision Logistics segment ships vaccines for major pharmaceutical companies. With the addition of our Authentication technology, we can add unit level traceability and authentication to protect clients' vaccines from product diversion and sub-standard counterfeits. In addition, our Authentication segment brand enhancement solutions could give the Precision Logistics food and beverage clients the ability to gather rich business intelligence and build customer loyalty with engagement functions like videos, discounts, contests, recipes, etc.

Partnerships:

Precision Logistics has a direct partnership with a major global carrier company. This partnership includes the ability for both companies to white label each partner's services. In addition, Precision Logistics has data feeds directly from the carrier into our proprietary logistics optimization software which provides shippers much more detailed information and predictive analytics on their shipment versus a standard shipping code look up which is provided by the carrier.

Our Authentication segment has a contract with HP Indigo, and a strategic partnership with INX, the third largest producer of inks in North America. We believe these partnerships can be used to enable brand owners to securely prevent counterfeiting, prevent product diversion and authenticate labels, packaging and products alleviating liability from counterfeit products that harm consumers.

Current Economic Environment

In early September 2022, the major global carrier company that PeriShip partners with disclosed that a global recession could be coming based on various indicators in its business including the demand for packages weakening considerably in the final weeks of August 2022, a negative impact on its express delivery business due to the weakening global economy, particularly in Asia and Europe, and a decline in the volume of freight it handles in every region around the world. The major global carrier stated that it expected business conditions to further weaken and responded by reducing flights, temporarily parking aircraft, trimming hours for its staff, delaying some hiring plans and closing ninety office locations as well as five corporate offices. It also stated it was cutting $500 million from its capital expenditure budget for its fiscal year, which runs through May 2023. In April 2023, this major carrier laid out steps it was taking to slash $4 billion in permanent costs by the end of its 2025 fiscal year in response to market conditions and lower demand. In June 2023, the major carrier stated that due to ongoing demand its plans to ground 29 more aircraft in its fiscal year that started in June 2024.

We have seen a softening in demand for some services related to high-end perishable items and cannabis products which seem to be impacted by reduced discretionary spending by U.S. consumers. While a recession, whether global or more localized to the U.S., may decrease the demand for our services that are more discretionary in nature, we believe that the internal cost cutting measures, if implemented by the major global carrier may benefit out-sourced service providers. We are working with this major global carrier to address their small and medium-sized business clients, which we believe is an underserved market and presents considerable growth opportunities for our Precision Logistics segment. However, we can provide no assurances that a decline in discretionary consumer spending will not have a negative impact on our revenues and results of operations.

Business Combinations

On March 1, 2023, we acquired, through Trust Codes Global, the business and certain assets of Trust Codes, a company specializing in brand protection, anti-counterfeiting and consumer engagement technology with an expertise in the food and agriculture industry. Trust Codes Global uses unique QR codes or IoT, coupled with GS1 standards to deliver cloud-based brand protection based on a unique per-item digital identity to protect brand and product authenticity, increase data visualization of a product through the end-to-end supply chain and creates a data driven engine to inform and educate consumers of the product. The purchase price was approximately $1.0 million which consisted of approximately $0.36 million in cash paid at closing, and 353,492 shares of restricted common stock of the Company, representing $0.65 million in stock consideration. In addition, the purchase agreement requires consideration contingent upon the achievement of earnings targets during a five-year period subsequent to the closing of the acquisition. The earn-out consideration estimated at $1.1 million at the acquisition date, however the maximum amount of the payment is unlimited. Trust Codes Global is included in the Authentication segment and the results of its operations are included in the consolidated financial statement beginning March 1, 2023.

On April 22, 2022, we acquired, through PeriShip Global, the business and certain assets of PeriShip, LLC, a value-added service provider for time and temperature sensitive parcel management. PeriShip Global provides shipping logistics services utilizing proprietary predictive analytics software and supporting service center services. Using our proprietary IT platform, we provide real-time information and analysis to mitigate supply chain flow interruption, delivering last-mile resolution for key markets, including the perishable healthcare and food industries. The purchase price was $10.5 million which consisted of $7.5 million in cash paid at closing, a promissory note of $2.0 million with a fixed interest rate of 6% per annum on the unpaid principal balance, to be paid in three installments on the sixth, fifteenth, and eighteenth month anniversaries of the closing, and 305,473 shares of restricted common stock of the Company, representing $1.0 million in stock consideration. We expect that all of the goodwill recorded for financial statement purposes is deductible for tax purposes. The acquired PeriShip Global business is included in the Precision Logistics segment and the results of its operations have been included in the consolidated financial statements beginning April 22, 2022.

Seasonality

We experience seasonal fluctuations in our net revenues from sales in our Precision Logistics segment. Revenues from sales are generally higher in the fourth quarter than in other quarters due to increased holiday shipments. The seasonality of our business may cause fluctuations in our quarterly operating results.

Changes in Executive Management Team

On May 24, 2023, the Company's Board of Directors appointed Mr. Adam Stedham to serve as Chief Executive Officer of the Company, effective June 19, 2023. Mr. Stedham ceased to be an independent director and stepped down as chair of the Audit Committee and as a member of the Compensation Committee on June 19, 2023. In connection with Mr. Stedham's appointment as Chief Executive Officer, Scott Greenberg ceased to serve as the Company's Interim Chief Executive Officer and Executive Chairman of the Board and continued to serve as Chairman of the Board.

On July 10, 2023, the Company and Keith Goldstein agreed that Mr. Goldstein would resign as President and Chief Operating Officer effective, July 31, 2023. Also on July 10, 2023, the Company and Margaret Gezerlis agreed that Ms. Gezerlis would step down as Executive Vice President and Chief Financial Officer and continue in a strategic consulting role with the Company, effective July 31, 2023. Effective July 20, 2023, the Company granted Margaret Gezerlis a restricted stock award of 20,000 which vested on July 31, 2023 subject to Ms. Gezerlis not revoking her entry in the separation agreement. Mr. Goldstein's and Ms. Gezerlis' separations were not a result of any disagreement with the Company on any matter relating to its operations, policies, or practices, or to any issues regarding its accounting policies or practices.

On July 13, 2023, in connection with Mr. Goldstein's and Ms. Gezerlis' separations, the Company appointed Adam Stedham as President of the Company in addition to his position as Chief Executive Officer, and Nancy Meyers Executive Vice President and Chief Financial Officer, Treasurer and Corporate Secretary of the Company, each effective August 1, 2023.

On July 14, 2023, the Company designated Paul Ryan as the Executive Vice President, Authentication Segment. Mr. Ryan co-founded the Trust Codes Global platform and developed it into the powerful product cloud that today provides brand protection, brand enhancement, GS1 digital link and traceability. Additionally, Curt Kole will be the Executive Vice President, Precision Logistics Segment. Mr. Kole has 25 years of experience in many aspects of the logistics industry with extensive knowledge in the needs of customers whose products have specific time, temperature, or other criticality requirements. Mr. Kole has served as the Executive Vice President, Global Sales and Strategy at PeriShip Global.

Table of Contents

Adam Stedham Employment Agreement

In connection with his appointment as Chief Executive Officer, the Company and Mr. Stedham entered into an employment agreement ("Employment Agreement"), effective June 19, 2023. Pursuant to the Employment Agreement Mr. Stedham will receive an annual base salary of $300,000 and be eligible for an annual bonus with a potential up to 50% of his base salary based on an Adjusted EBITDA performance goal to be set annually by the Compensation Committee of the Board. In accordance with the Employment Agreement, the Compensation Committee of the Board approved, in each case within five business days of the Effective Date, the grant of (i) a restricted stock award ("RSA") of 34,014 shares of the Company's common stock, subject to the terms of the Company's 2020 Equity Incentive Plan (the "2020 Plan"), which vest upon the grant date to compensate Mr. Stedham for his service as an independent director during 2023; (ii) 204,082 time-based restricted stock units ("RSUs"), each such unit representing the contingent right to receive one share of the Company's common stock, subject to the terms of the 2020 Plan, which vest, except as otherwise provided in the award agreement, in three equal annual installments with the first installment vesting on the first anniversary of the grant date; and (iii) an award of 550,000 performance-based restricted stock units ("PSUs"), each such unit representing the contingent right to receive one share of the Company's common stock, subject to the terms of the 2020 Plan. The PSUs, except as otherwise provided in the award agreement, vest in three tranches subject to continued employment and upon the satisfaction of the applicable performance criteria within four years of the grant date. Tranche 1 will vest 150,000 shares of common stock on or after the first anniversary of the grant date if the price of the Company's common stock is $2.21 per share and trades at or above that price for 20 consecutive days. Tranche 2 will vest 200,000 shares of common stock on or after the second anniversary of the grant date if the Company's common stock trades at or above $2.94 per share for 20 consecutive trading days. Tranche 3 will vest 200,000 shares of common stock on the fourth anniversary of the grant date if the Company's common stock trades at or above $3.68 per share for 20 consecutive trading days.

The Employment Agreement is for an initial term of two years and will thereafter be "at-will" and may be terminated by either party during the initial term. If terminated by Mr. Stedham for good reason, or by the Company without cause, Mr. Stedham will be entitled, in addition to accrued base salary and unpaid expenses, to his annual bonus payout, if applicable, severance in the amount of base salary that would have otherwise been paid through June 19, 2025 or six months, whichever is greater, and the accelerated vesting of his time-based restricted stock units and retention of his performance-based restricted stock units for the remainder of the awards' applicable performance period.

Keith Goldstein Separation Agreement

On July 17, 2023, the Company and Mr. Goldstein entered into a Separation Agreement and Release of all Claims (the "Goldstein Agreement") whereby Mr. Goldstein voluntarily elected to resign as President and Chief Operating Officer and from any position held with the Company's subsidiaries, including PeriShip Global and Trust Codes Global, effective July 31, 2023 (the "Separation Date"). Pursuant to the Goldstein Agreement, the Company agreed to pay Mr. Goldstein his salary through the Separation Date and to continue to pay his base salary for six months from the Separation Date, which is through January 31, 2024. The Company also agreed to continue to provide health care benefits to Mr. Goldstein through January 31, 2024. In addition, the Company agreed to award Mr. Goldstein 80,796 RSUs on July 31, 2023, each such unit representing the contingent right to receive one share of the Company's common stock, subject to the terms of the 2020 Plan. These RSUs, except as otherwise provided in the award agreement, will vest within three years in equal tranches provided the Company's stock price exceeds $2.75 and $3.75 per share for twenty consecutive trading days. In connection with the grant of the RSUs Mr. Goldstein will forfeit his outstanding award of RSUs granted pursuant to a Restricted Stock Unit Award Agreement dated February 16, 2022.

Mr. Goldstein had seven days but did not elect his right to revoke his entry into the Goldstein Agreement. Pursuant to the Goldstein Agreement, Mr. Goldstein's employment agreement entered into as of February 15, 2022, will terminate on July 31, 2023, with certain covenants in the employment agreement relating to the ownership of intellectual property, confidential information, non-solicitation and non-competition surviving its termination. The Goldstein Agreement also includes customary representations, warranties for agreements of its type.

Margaret Gezerlis Separation Agreement

On July 17, 2023, the Company and Ms. Gezerlis entered into a Separation Agreement and Release of all Claims (the "Gezerlis Agreement") whereby Ms. Gezerlis voluntarily elected to step down as Executive Vice President and Chief Financial Officer and from any position held with the Company's subsidiaries, including PeriShip Global, and Trust Codes, effective July 31, 2023. Pursuant to the Gezerlis Agreement, the Company Agreed to pay Ms. Gezerlis her salary through the Separation Date and to continue to pay her base salary for six months from the Separation Date, which is through January 31, 2024. In addition, the Company agreed to award Ms. Gezerlis 42,612 RSUs on July 31, 2023, each such unit representing the contingent right to receive one share of the Company's common stock, subject to the terms of the 2020 Plan. These RSUs, except as otherwise provided in the award agreement, will vest within three years in equal tranches provided the Company's stock price exceeds $2.75 and $3.75 per share for twenty consecutive trading days. In connection with the grant of the RSUs Ms. Gezerlis will forfeit her outstanding award of RSUs granted pursuant to a Restricted Stock Unit Award Agreement dated February 16, 2022.

Ms. Gezerlis had seven days but did not elect her right to revoke her entry into the Gezerlis Agreement. Pursuant to the Gezerlis Agreement, Ms. Gezerlis' employment agreement entered into as of February 15, 2022, will terminate on July 31, 2023, with certain covenants in the employment agreement relating to the ownership of intellectual property, confidential information, non-solicitation and non-competition surviving its termination. The Gezerlis Agreement also includes customary representations, warranties for agreements of its type.

Table of Contents

Results of Operations

Comparison of the three months ended September 30, 2023, and 2022

The following discussion analyzes our results of operations for the three months ended September 30, 2023 and 2022.

Revenue	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Precision Logistics	$ 5,457	$ 5,036
Authentication	147	179
Total Revenue	$ 5,604	$ 5,215

Consolidated revenue increased $389 thousand or 7% during the third quarter of 2023 compared to the third quarter of 2022. The increase is primarily due to organic growth in our premium services in the Precision Logistics segment.

Gross Profit	2023	2023 % of Revenue	2022	2022 % of Revenue
Precision Logistics	$ 2,155	39%	$ 1,722	34%
Authentication	137	93%	133	74%
Total Gross Profit	$ 2,292	41%	$ 1,855	36%

Gross profit for the three months ended September 30, 2023, was $2,292 thousand, compared to $1,855 thousand for the three months ended September 30, 2022. The resulting gross margin was 41% for the three months ended September 30, 2023, compared to 36% for the three months ended September 30, 2022. The gross profit increase relates to the increased premium services revenue in the Precision Logistics segment, which has higher margins. With the acquisition of Trust Codes in March 2023, providing custom software, our margins in the Authentication segment also increased.

General and Administrative Expenses

General and administrative expenses increased by $541 thousand to $2,754 thousand for the three months ended September 30, 2023, compared to $2,213 thousand for the three months ended September 30, 2022. The increase relates primarily to the acquisition of Trust Codes Global in March 2023, severance expense of $247 thousand and additional stock compensation of $115 thousand (excluding shares issued relating to severance).

Research and Development

Research and development expenses were $5 thousand and $39 thousand for the three months ended September 30, 2023, and 2022, respectively.

Sales and Marketing

Sales and marketing expenses decreased by $90 thousand to $388 thousand for the three months ended September 30, 2023, compared to $478 thousand for the three months ended September 30, 2022. The decrease is primarily related to a reduction in employees and consultants partially offset by additional travel expenses in the Authentication segment during the third quarter of 2023.

Interest Expense, net

Interest expense, net was $39 thousand for the three months ended September 30, 2023, compared to $32 thousand for the three months ended September 30, 2022. The increase is primarily due to the increased borrowings on the RLOC.

Net Loss

Consolidated net loss for the three months ended September 30, 2023, and 2022 was $930 thousand and $557 thousand, respectively. The increased loss was primarily related to an increase in operating expenses and the gain on extinguishment of debt in 2022 that did not recur in 2023, partially offset by an increase in gross profit. The resulting consolidated loss per share for the three months ended September 30, 2023, and three months ended September 30, 2022, was $0.09 and $0.06 per diluted share, respectively.

Comparison of the nine months ended September 30, 2023, and 2022

The following discussion analyzes our results of operations for the nine months ended September 30, 2023, and 2022.

Revenue	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Precision Logistics	$ 16,085	$ 9,267
Authentication	515	606
Total Revenue	$ 16,600	$ 9,873

Consolidated revenue increased $6,727 thousand for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The increase is primarily due to the acquisition of our PeriShip Global business on April 22, 2022, partially offset by a $91 thousand decrease in our Authentication segment.

Gross Profit	2023	2023 % of Revenue	2022	2022 % of Revenue
Precision Logistics	$ 5,460	34%	$ 3,231	35%
Authentication	406	79%	432	71%
Total Gross Profit	$ 5,866	35%	$ 3,663	37%

Gross profit for the nine months ended September 30, 2023, was $5,866 thousand, compared to $3,663 thousand for the nine months ended September 30, 2022. The resulting gross margin was 35% for the nine months ended September 30, 2023, compared to 37% for the nine months ended September 30, 2022. The gross profit increase relates to the acquisition of the PeriShip Global business on April 22, 2022, which is included for the full nine months of 2023.

General and Administrative Expenses

General and administrative expenses increased by $1,639 thousand to $7,852 thousand for the nine months ended September 30, 2023, compared to $6,213 thousand for the nine months ended September 30, 2022. The increase relates primarily to the acquisition of the PeriShip business, included for the full nine months of 2023, the deal costs related to the acquisition of the Trust Codes Global business of $278 thousand, operations related to Trust Codes, as well as severance expense of approximately $579 thousand which is expected to be paid in full by the end of January 2024, partially offset by costs related to the acquisition of the PeriShip Global business of $661 thousand in 2022 that did not recur in 2023. Stock-based compensation was $977 thousand, including $121 thousand relating to severance for the nine months ended September 30, 2023, compared to $1,039 thousand for the nine months ended September 30, 2022. Amortization and depreciation expense was $835 thousand and $504 thousand for the nine months ended September 30, 2023, and 2022, respectively.

Research and Development

Research and development expenses were $23 thousand and $73 thousand for the nine months ended September 30, 2023, and 2022, respectively.

Sales and Marketing

Sales and marketing expenses increased by $164 thousand to $1,388 thousand for the nine months ended September 30, 2023, compared to $1,224 thousand for the nine months ended September 30, 2022. The increase is primarily related to the salaries and related expenses for employees for the full nine months of 2023 in the Precision Logistics segment, partially offset by a reduction in employees and consultants in the Authentication segment during the third quarter of 2023.

Interest Expense, net

Interest expense, net was $127 thousand for the nine months ended September 30, 2023, compared to interest expense of $54 thousand for the nine months ended September 30, 2022. The higher expense relates to the drawdown on the RLOC, interest on the outstanding convertible note, offset by a lower amount outstanding for the note payable.

Net Loss

Consolidated net loss for the nine months ended September 30, 2023, was $3,392 thousand compared to $14,506 thousand, for the nine months ended September 30, 2022. The decreased loss was primarily related to a loss on equity investment of $11 million in 2022 that did not recur in 2023, an increase in gross profit, a gain relating to the change in the fair value of the contingent consideration related to the acquisition of Trust Codes Global partially offset by increased operating expenses discussed above. The resulting consolidated loss per share for the nine months ended September 30, 2023, and nine months ended September 30, 2022, was $0.35 and $1.76 per diluted share, respectively.

Liquidity and Capital Resources

Our operations used $599 thousand of cash during the nine months ended September 30, 2023, compared to $2,668 thousand during the comparable period in 2022. The decrease in cash used from operations is due to favorable changes in working capital accounts during 2023 compared to 2022 from our acquisition of PeriShip Global in April of 2022.

Cash used in investing activities was $1,080 thousand during the nine months ended September 30, 2023, compared to $7,747 thousand during the nine months ended September 30, 2022. During the nine months ended September 30, 2023, $363 thousand was used for the acquisition of the Trust Codes Global business. During the nine months ended September 30, 2022, $7,500 thousand was used for the acquisition of the PeriShip Global business.

Cash provided by financing activities during the nine months ended September 30, 2023, was $1,277 thousand compared to $4,687 thousand during the nine months ended September 30, 2022. The decrease relates mainly to the proceeds from the public offering in 2022 which did not recur in 2023.

On August 25, 2023, the Company entered into a Convertible Note Purchase Agreement with certain investors for the sale of convertible promissory notes for the aggregate principal amount of $1,100 thousand of which $425 thousand was purchased by relating parties including certain members of management and the Board of Directors. The notes are subordinated unsecured obligations of the Company and accrue interest at a rate of 8% per year payable semiannually in arrears on February 25 and August 25 of each year, beginning on February 25, 2024. The notes will mature on August 25, 2026 unless earlier converted or repurchased at a conversion price of $1.15 per share of common stock. The Company may not redeem the notes prior to the maturity date. As of September 30, 2023 the amount outstanding on the convertible debt was $1,100 thousand and included in Convertible Note, and Convertible Note – related party on the accompanying Consolidated Balance Sheets. The Company has accrued interest expense of $9 thousand as of September 30, 2023.

On September 22, 2022, PeriShip Global became a party to the PNC Facility with PNC Bank, National Association. The PNC Facility includes a $1 million RLOC with a term of one-year, which was extended to December 14, 2023. The RLOC has no scheduled payments of principal until maturity, and bears interest per annum at a rate equal to the sum of Daily SOFR plus 2.85% with monthly interest payments. As of September 30, 2023, we had drawn down $500 thousand under the RLOC.

The PNC Facility also includes a four-year Term Note for $2 million which matures in September of 2026 and requires equal quarterly payments of principal and interest. The Term Note incurs interest per annum at a rate equal to the sum of Daily SOFR plus 3.1%. The RLOC and Term Note are guaranteed by VerifyMe and secured by the assets of PeriShip Global and VerifyMe.

The PNC Facility includes a number of affirmative and restrictive covenants applicable to PeriShip Global, including, among others, a financial covenant to maintain a fixed charge coverage ratio of at least 1.10 to 1.00 at the end of each fiscal year, affirmative covenants regarding delivery of financial statements, payment of taxes, and establishing primary depository accounts with PNC Bank, and restrictive covenants regarding dispositions of property, acquisitions, incurrence of additional indebtedness or liens, investments and transactions with affiliates. PeriShip Global is also restricted from paying dividends or making other distributions or payments on its capital stock if an event of default (as defined in the PNC Facility) has occurred or would occur upon such declaration of dividend.

On November 3, 2023, we entered into a waiver and amendment to loan documents and received a waiver for certain events of default, as a result of which, as of the date hereof, we are in compliance with all affirmative and restrictive covenants under the PNC Facility. We also entered into an amended and restated loan agreement with PNC effective October 31, 2023, which provided amendments to a number of affirmative and restrictive covenants applicable to PeriShip Global and extended the RLOC to September 30, 2024.

Of the proceeds of $2.0 million from the Term note, we used $1.8 million to settle debt outstanding issued in connection with the PeriShip Global acquisition, including the redemption of 61,000 shares of our common stock. As of September 30, 2023, our short-term debt outstanding under the Term note was $0.5 million and total long-term debt outstanding under the Term note was $1.0 million.

Effective October 17, 2022, we entered into an interest rate swap agreement, with a notional amount of $1,958 thousand, effectively fixing the interest rate on our outstanding debt at 7.602%.

In June 2022, we announced a $1.5 million share repurchase program to repurchase shares of our common stock commencing July 1, 2022, for a period of 12 months. Before the program expired on July 1, 2023, 165,107 shares were purchased for a total of $226 thousand and $1,275 thousand was not used.

We believe that our cash and cash equivalents will fund our operations for the next 12 months. We may issue additional debt or equity as we grow our business which we expect to grow organically, and if the opportunity arises, through key acquisitions that will help accelerate the growth of our business.

Off-Balance Sheet Arrangements

None.

Critical Accounting Policies and Estimates

Our financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. We have identified below the accounting policies that are of particular importance in the presentation of our financial position, results of operations and cash flows and which require the application of significant judgment by management. We believe estimates and assumptions related to these critical accounting policies are appropriate under the circumstances; however, should future events or occurrences result in unanticipated consequences, there could be a material impact on our future financial position, results of operations or cash flows.

Revenue Recognition

Our revenue transactions include logistics management for time and temperature sensitive packages, sales of our ink canisters, software, licensing, pre-printed labels, integrated solutions, and leasing of our equipment. We recognize revenue based on the principals established in ASC Topic 606, "*Revenue from Contracts with Customers*." Revenue recognition is made when our performance obligation is satisfied. Our terms vary based on the solutions we offer and are examined on a case-by-case basis. For licensing our VerifyInk^{TM} technology we depend on the integrity of our clients' reporting.

Business Combinations

Accounting for business combinations requires management to make significant estimates and assumptions to determine the fair values of assets acquired and liabilities assumed at the acquisition date. Although we believe the assumptions and estimates we have made in relation to the acquisitions are appropriate, they are based, in part, on historical experience and information obtained from management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain acquired intangible assets include, but are not limited to, future expected cash flows including revenue growth rate assumptions from product sales, customer contracts and acquired technologies, estimated royalty rates used in valuing technology related intangible assets, and discount rates. The discount rates used to discount expected future cash flows to present value are typically derived from a weighted-average cost of capital ("WACC") analysis and adjusted to reflect inherent risks. Unanticipated events and circumstances may occur that could affect either the accuracy or validity of such assumptions, estimates or actual results.

We allocate the fair value of the purchase price of our acquisitions to the tangible assets acquired, liabilities assumed, and intangible assets acquired, based on their estimated fair values at acquisition date. The excess of the fair value of the purchase price over the fair values of these net tangible and intangible assets acquired is recorded as goodwill. Management's estimates of fair value are based upon assumptions believed to be reasonable, but our estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the measurement period, which will not exceed one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. After the conclusion of the measurement period or final determination of the fair value of the purchase price of our acquisitions, whichever comes first, any subsequent adjustments are recorded to our Consolidated Statements of Operations.

Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

Goodwill

We have recorded goodwill as part of our acquisitions, which represents the excess of purchase price over the fair value of net assets acquired in the business combinations. Pursuant to ASC 350, the Company will test goodwill for impairment on an annual basis in the fourth quarter, or between annual tests, in certain circumstances. Under authoritative guidance, the Company first assessed qualitative factors to determine whether it was necessary to perform the quantitative goodwill impairment test. The assessment considers factors such as, but not limited to, macroeconomic conditions, data showing other companies in the industry and our share price. An entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. Events or changes in circumstances which could trigger an impairment review include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, other entity specific events and sustained decrease in share price.

Stock-based Compensation

We account for stock-based compensation under the provisions of FASB ASC 718, "Compensation—Stock Compensation", which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors based on estimated fair values on the grant date. We estimate the fair value of stock-based awards on the date of grant using the Black-Scholes model. The assumptions used in the Black-Scholes option pricing model include risk-free interest rates, expected volatility and expected life of the stock options. Changes in these assumptions can materially affect estimates of fair value stock-based compensation, and the compensation expense recorded in future periods. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods using the straight-line method.

For RSUs with stock price appreciation targets, we applied a lattice approach that incorporated a Monte Carlo simulation, which involved random iterations that took different future price paths over the RSU's contractual life based on the appropriate probability distributions (which are based on commonly applied Black Scholes inputs). The fair value was determined by taking the average of the grant date fair values under each Monte Carlo simulation trial. We recognize compensation expense on a straight-line basis over the performance period and there is no ongoing adjustment or reversal based on actual achievement during the period.

We account for stock-based compensation awards to non-employees in accordance with ASU No. 2018-07, Compensation – Stock Based Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07"), which aligns accounting for share-based payments issued to nonemployees to that of employees under the existing guidance of Topic 718, with certain exceptions. This update supersedes previous guidance for equity-based payments to nonemployees under Subtopic 505-50, Equity – Equity-Based Payments to Non-Employees.

All issuances of stock options or other equity instruments to non-employees as consideration for goods or services received by the Company are accounted for based on the fair value of the equity instruments issued. Non-employee equity-based payments are recorded as an expense over the service period, as if we had paid cash for the services. At the end of each financial reporting period, prior to vesting or prior to the completion of the services, the fair value of the equity-based payments will be re-measured, and the non-cash expense recognized during the period will be adjusted accordingly. Since the fair value of equity-based payments granted to non-employees is subject to change in the future, the amount of the future expense will include fair value re-measurements until the equity-based payments are fully vested or the service completed.

Recently Adopted Accounting Pronouncements

Recently adopted accounting pronouncements are discussed in Note 1 – Summary of Significant Accounting Policies in the notes accompanying the financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. The Company's Chief Executive Officer, our principal executive officer, and Chief Financial Officer, our principal financial officer, have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2023, the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2023, our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) during the three months ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

(c) Trust Codes Global Acquisition

On March 1, 2023, we acquired, through Trust Codes Global, the business and certain assets of Trust Codes Limited, a company specializing in brand protection, anti-counterfeiting and brand enhancement technology with an expertise in the food and agriculture industry. For additional information regarding the acquisition, refer to Note 4 to the Unaudited Consolidated Financial Statements included in Item 1 in this Quarterly Report on Form 10-Q and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 2 in this Quarterly Report on Form 10-Q. Based on the recent completion of this acquisition and, pursuant to the Securities and Exchange Commission's guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment for a period not to exceed one year from the date of acquisition, the scope of our assessment of the effectiveness of internal control over financial reporting as of September 30, 2023 does not include Trust Codes Global. We plan to include Trust Codes Global in our assessment of the effectiveness of internal control over financial reporting within the timeframe set forth by the SEC's guidance.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

For a discussion of the Company's potential risks or uncertainties, please see "Part I—Item 1A—Risk Factors" and "Part II—Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC, and "Part I—Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations" herein. There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, and subsequent Quarterly Reports on Form 10-Q, except as noted herein.

Foreign Currency Exchange Rate Risk

We operate in the US and New Zealand, which exposes us to market risk associated with foreign currency exchange rate fluctuations. Our foreign currency exposure primarily relates to intercompany receivables and payables and third party receivables and payables that are denominated in currencies other than the functional currency of our legal entities. Our largest foreign currency exposure is unsettled intercompany payables and receivables which are reviewed on a regular basis. Gains and losses from foreign currency transactions are included in "General and administrative" on our Consolidated Statements of Operations.

Our foreign subsidiary operates in a currency other than the United States dollar; therefore, increases or decreases in the value of the U.S. dollar against other major currencies will affect our operating results and the value of our balance sheet items denominated in foreign currencies. Our most significant exposures to translation risk relates to functional currency assets and liabilities that are denominated in the New Zealand dollar. The changes in the net investment of our foreign subsidiary are reflected in "Foreign currency translation adjustments" on our Consolidated Statements of Comprehensive Loss. We have not used any exchange rate hedging programs to mitigate the effect of exchange rate fluctuations.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

On November 3, 2023, PeriShip Global entered into a waiver and amendment to loan documents and received a waiver for certain events of default and entered into an amended and restated loan agreement with PNC effective October 31, 2023, which provided amendments to a number of affirmative and restrictive covenants applicable to PeriShip Global and extended the RLOC to September 30, 2024.

During the three months ended September 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1*	Amended and Restated Loan Agreement between PeriShip Global LLC and PNC Bank, National Association, effective October 31, 2023.
10.2*	Waiver and Amendment to Loan Documents between PeriShip Global LLC and PNC Bank, National Association, effective October 31, 2023.
10.3#*	Employment Agreement with Paul Ryan, effective March 1 2023.
10.4#	Separation Agreement and Release of all Claims between the Company and Keith Goldstein dated July 17, 2023 (incorporated herein by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 21, 2023).
10.5#	Separation Agreement and Release of all Claims between the Company and Margaret Gezerlis dated July 17, 2023 (incorporated herein by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed on July 21, 2023).
10.6#	Restricted Stock Unit Award Agreement between the Company and Keith Goldstein dated July 31, 2023 (incorporated herein by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 21, 2023).
10.7#	Restricted Stock Unit Award Agreement between the Company and Margaret Gezerlis dated July 31, 2023 (incorporated herein by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K filed on July 21, 2023).
10.8	Form of Convertible Note Purchase Agreement (incorporated herein by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 28, 2023).
10.9	Form of Convertible Subordinated Promissory Note (incorporated herein by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 28, 2023).
31.1*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS*	XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

*Filed herewith
**Furnished herewith
# Denotes management compensation plan or contract

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.

VERIFYME, INC.

Date: November 8, 2023

By: /s/ Adam Stedham

Adam Stedham
Chief Executive Officer
and President

(Principal Executive Officer)

Date: November 8, 2023

By: /s/ Nancy Meyers
Nancy Meyers
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.1

Amended and Restated Loan Agreement

THIS AMENDED AND RESTATED LOAN AGREEMENT (the "**Agreement**"), is entered into as of October 31, 2023, between **PERISHIP GLOBAL LLC**, a Delaware limited liability company (the "**Borrower**"), with an address at 801 INTERNATIONAL PARKWAY FL 5, LAKE MARY, FLORIDA 32746, and **PNC BANK, NATIONAL ASSOCIATION** (the "**Bank**"), with an address at 200 Lake Drive East, 3rd Floor, Cherry Hill, New Jersey 08002. This Agreement amends, restates and replaces (but does not constitute a novation of or affect the status of any liens or security interests granted pursuant to) that certain Loan Agreement dated September 15, 2022, between the Bank and the Borrower (the "**Existing Loan Agreement**"), and the Borrower's execution of this Agreement constitutes a ratification and confirmation of all liens and security interests granted under or pursuant to the Existing Loan Agreement.

The Borrower and the Bank, with the intent to be legally bound, agree as follows:

1 . **Loan.** The Bank has made or may make one or more loans ("**Loan**") to the Borrower subject to the terms and conditions and in reliance upon the representations and warranties of the Borrower set forth in this Agreement. Each Loan shall be used for business purposes (and not for personal, family or household use) and is or will be evidenced by a promissory note or notes of the Borrower and all renewals, extensions, amendments and restatements thereof (whether one or more, collectively, the "**Note**") acceptable to the Bank, which shall set forth the interest rate, repayment and other provisions of the respective Loan, the terms of which are incorporated into this Agreement by reference.

The Loans governed by this Agreement shall include the Loans specifically described below, if any, and any additional lines of credit or term loans that the Bank has made or may, in its sole discretion, make to the Borrower in the future.

2 . **Security.** The security for repayment of the Loan shall include but not be limited to the collateral, guaranties and other documents heretofore, contemporaneously or hereafter executed and delivered to the Bank (the "**Security Documents**"), which shall secure repayment of the Loan and all other loans, advances, debts, liabilities, obligations, covenants and duties owing by the Borrower to the Bank described therein (hereinafter referred to collectively as the "**Obligations**").

This Agreement, the Note, the Security Documents and all other agreements and documents executed and/or delivered pursuant or subject hereto, as each may be amended, modified, extended or renewed from time to time, are collectively referred to as the "**Loan Documents.**" Capitalized terms not defined herein shall have the meanings ascribed to them in the Loan Documents.

3. **Representations and Warranties.** The Borrower hereby makes the following representations and warranties, which shall be continuing in nature and remain in full force and effect until the Obligations are paid in full, and which shall be true and correct except as otherwise set forth on the Addendum attached hereto and incorporated herein by reference (the "**Addendum**"):

3.1. **Existence, Power and Authority.** If not a natural person, the Borrower is duly organized, validly existing and in good standing under the laws of the State of its incorporation or organization and has the power and authority to own and operate its assets and to conduct its business as now or proposed to be carried on, and is duly qualified, licensed and in good standing to do business in all jurisdictions where its ownership of property or the nature of its business requires such qualification or licensing. The Borrower is duly authorized to execute and deliver the Loan Documents, all necessary action to authorize the execution and delivery of the Loan Documents has been properly taken, and the Borrower is and will continue to be duly authorized to borrow under this Agreement and to perform all of the other terms and provisions of the Loan Documents.

3.2. **Financial Statements.** The Borrower has delivered or caused to be delivered to the Bank its most recent Financial Statements (as defined herein). The Financial Statements are true, complete and accurate in all material respects and fairly present the Borrower's financial condition, assets and liabilities, whether accrued, absolute, contingent or otherwise and the results of the Borrower's operations for the period specified therein. The Financial Statements have been prepared in accordance with the Applicable Accounting Standards. As used herein, "**Applicable Accounting Standards**" shall mean generally accepted accounting principles in effect from time to time ("**GAAP**"), consistently applied from period to period, subject in the case of interim statements to normal year-end adjustments and to any comments and notes acceptable to the Bank in its sole discretion; and "**Financial Statements**" shall mean (i) with respect to an entity that is not a natural person, consolidated and, if required by the Bank in its sole discretion, consolidating balance sheets and statements of income and cash flows for the year, month or quarter together with year-to-date figures and comparative figures for the corresponding periods of the prior year, prepared in accordance with the Applicable Accounting Standards, consistently applied from period to period; and (ii) with respect to natural persons, means personal financial statements and federal income tax returns.

3.3. **No Material Adverse Change.** Since the date of the most recent Financial Statements, the Borrower has not suffered any damage, destruction or loss, and no event or condition has occurred or exists, which has resulted or could result in a material adverse change in its business, assets, operations, condition (financial or otherwise) or results of operation.

3.4. **Binding Obligations.** The Borrower has full power and authority to enter into the transactions provided for in this Agreement and has been duly authorized to do so by appropriate action of its Board of Directors if the Borrower is a corporation, its members and/or managers, as applicable, if the Borrower is a limited liability company, all its general partners if the Borrower is a partnership or otherwise as may be required by law, charter, other organizational documents or agreements; and the Loan Documents, when executed and delivered by the Borrower, will constitute the legal, valid and binding obligations of the Borrower enforceable in accordance with their terms.

3.5. **No Defaults or Violations.** There does not exist any Default or Event of Default, as hereinafter defined, under this Agreement, or any default or violation by the Borrower of or under any of the terms, conditions or obligations of: (i) its partnership agreement if the Borrower is a partnership, its articles or certificate of incorporation, regulations and bylaws if the Borrower is a corporation, its articles or certificate of organization and operating agreement if the Borrower is a limited liability company, or its other organizational documents as applicable; (ii) any indenture, mortgage, deed of trust, franchise, permit, contract, agreement, or other instrument to which it is a party or by which it is bound; or (iii) any law, ordinance, regulation, ruling, order, injunction, decree, condition or other requirement applicable to or imposed upon it by any law, the action of any court or any governmental authority or agency; and the consummation of this Agreement and the transactions set forth herein will not result in any such Default, Event of Default or violation.

3.6. **Title to Assets.** The Borrower has good and marketable title to the assets reflected on the most recent Financial Statements, free and clear of all liens and encumbrances, except for (i) liens in favor of the Bank; (ii) current taxes and assessments not yet due and payable; (iii) assets disposed of by the Borrower in the ordinary course of business since the date of the most recent Financial Statements; and (iv) those liens or encumbrances, if any, specified on the Addendum.

3.7. **Litigation.** There are no actions, suits, proceedings or governmental investigations pending or, to the knowledge of the Borrower, threatened against the Borrower, which could result in a material adverse change in its business, assets, operations, condition (financial or otherwise) or results of operations and there is no basis known to the Borrower for any action, suit, proceeding or investigation which could result in such a material adverse change. All pending and threatened litigation against the Borrower is listed on the Addendum attached hereto.

3.8. **Tax Returns.** The Borrower has filed all returns and reports that are required to be filed by it in connection with any federal, state or local tax, duty or charge levied, assessed or imposed upon it or its property or withheld by it, including income, unemployment, social security and similar taxes, and all of such taxes have been either paid or adequate reserves or other provision has been made therefor.

3.9. Employee Benefit Plans. Each employee benefit plan as to which the Borrower may have any liability complies in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974 (as amended from time to time, "**ERISA**"), including minimum funding requirements, and (i) no Prohibited Transaction (as defined under ERISA) has occurred with respect to any such plan; (ii) no Reportable Event (as defined under Section 4043 of ERISA) has occurred with respect to any such plan which would cause the Pension Benefit Guaranty Corporation to institute proceedings under Section 4042 of ERISA; (iii) the Borrower has not withdrawn from any such plan or initiated steps to do so; and (iv) no steps have been taken to terminate any such plan.

3.10. Environmental Matters. The Borrower is in compliance, in all material respects, with all Environmental Laws (as hereinafter defined), including, without limitation, all Environmental Laws in jurisdictions in which the Borrower owns or operates, or has owned or operated, a facility or site, stores collateral, arranges or has arranged for disposal or treatment of hazardous substances, solid waste or other waste, accepts or has accepted for transport any hazardous substances, solid waste or other wastes or holds or has held any interest in real property or otherwise. Except as otherwise disclosed on the Addendum, no litigation or proceeding arising under, relating to or in connection with any Environmental Law is pending or, to the best of the Borrower's knowledge, threatened against the Borrower, any real property in which the Borrower holds or has held an interest or any past or present operation of the Borrower. No release, threatened release or disposal of hazardous waste, solid waste or other wastes is occurring, or to the best of the Borrower's knowledge has occurred, on, under or to any real property in which the Borrower holds or has held any interest or performs or has performed any of its operations, in violation of any Environmental Law. As used in this Section, "**litigation or proceeding**" means any demand, claim notice, suit, suit in equity, action, administrative action, investigation or inquiry whether brought by a governmental authority or other person, and "**Environmental Laws**" means all provisions of laws, statutes, ordinances, rules, regulations, permits, licenses, judgments, writs, injunctions, decrees, orders, awards and standards promulgated by any governmental authority concerning health, safety and protection of, or regulation of the discharge of substances into, the environment.

3.11. Intellectual Property. The Borrower owns or is licensed to use all patents, patent rights, trademarks, trade names, service marks, copyrights, intellectual property, technology, know-how and processes necessary for the conduct of its business as currently conducted that are material to the condition (financial or otherwise), business or operations of the Borrower.

3.12. Regulatory Matters. No part of the proceeds of any Loan will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time in effect or for any purpose which violates the provisions of the Regulations of such Board of Governors.

3.13. Solvency. As of the date hereof and after giving effect to the transactions contemplated by the Loan Documents, (i) the aggregate value of the Borrower's assets will exceed its liabilities (including contingent, subordinated, unmatured and unliquidated liabilities); (ii) the Borrower will have sufficient cash flow to enable it to pay its debts as they become due; and (iii) the Borrower will not have unreasonably small capital for the business in which it is engaged.

3.14. Disclosure. The Loan Documents, taken as a whole, do not and will not contain or will contain any untrue statement of material fact or omits or will omit to state a material fact necessary in order to make the statements contained in this Agreement or the Loan Documents not misleading. There is no fact known to the Borrower which materially adversely affects or, so far as the Borrower can now foresee, might materially adversely affect the business, assets, operations, condition (financial or otherwise) or results of operation of the Borrower and which has not otherwise been fully set forth in this Agreement or in the Loan Documents.

3.15. Beneficial Owners. If the Borrower is or was required to execute and deliver to the Bank a Certification of Beneficial Owner(s) (individually and collectively, as updated from time to time, the "**Certification of Beneficial Owners**"), the information in the Certification of Beneficial Owners, as updated from time to time in accordance with this Agreement, is true, complete and correct as of the date thereof, as of the date hereof and as of the date any such update is delivered to the Bank. The Borrower acknowledges and agrees that the Certification of Beneficial Owners is a Loan Document.

3.16. Anti-Corruption Laws and International Trade Laws; Anti-Money Laundering Laws; Certain Definitions . Each Covered Entity, and its directors and officers, and each employee, agent or affiliate acting on behalf of such Covered Entity: (a) is not a Sanctioned Person; (b) does not do any business in or with, or derive any of its operating income from direct or indirect investments in or transactions involving, any Sanctioned Jurisdiction or Sanctioned Person; and (c) is not in violation of, and has not, during the past five (5) years, directly or indirectly, taken any act that could cause any Covered Entity to be in violation of, applicable International Trade Laws or Anti-Corruption Laws.

No Covered Entity nor any of its directors, officers, employees, or to the knowledge of the Borrower, any agents or affiliates acting on behalf of any Covered Entity has, during the past five (5) years, received any notice or communication from any Person that alleges, or been involved in an internal investigation involving any allegations relating to, potential violation of any International Trade Laws or Anti-Corruption Laws, or received a request for information from any Official Body regarding International Trade Law matters or Anti-Corruption Law matters. There is no Blocked Property pledged as Collateral.

As used herein:

"**Anti-Corruption Laws**" means (a) the U.S. Foreign Corrupt Practices Act of 1977, as amended, (b) the U.K. Bribery Act 2010, as amended, and (c) any other applicable Law relating to anti-bribery or anti-corruption in any jurisdiction in which any Loan Party is located or doing business.

"**Anti-Money Laundering Laws**" means (a) the Bank Secrecy Act and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001; (b) the U.K. Proceeds of Crime Act 2002, the Money Laundering Regulations 2017, as amended and the Terrorist Asset-Freezing etc. Act 2010; and (c) any other applicable Law relating to anti-money laundering and countering the financing of terrorism in any jurisdiction in which any Loan Party is located or doing business.

"**Blocked Property**" means any property (a) owned, directly or indirectly, by a Sanctioned Person; (b) due to or from a Sanctioned Person; (c) in which a Sanctioned Person otherwise holds any interest; (d) located in a Sanctioned Jurisdiction; or (e) that otherwise could cause any actual or possible violation by the Bank of any applicable International Trade Law if the Bank were to obtain an encumbrance on, lien on, pledge of, or security interest in such property, or provide services in consideration of such property.

"**Collateral**" means any collateral securing any debt, liabilities, or other obligations of any Loan Party to the Bank.

"**Compliance Authority**" means (a) the United States government or any agency or political subdivision thereof, including, without limitation, the U.S. Department of State, the U.S. Department of Commerce, the U.S. Department of the Treasury and its Office of Foreign Assets Control, and the U.S. Customs and Border Protection agency; (b) the government of Canada or any agency thereof; (c) the European Union or any agency thereof; (d) the government of the United Kingdom or any agency thereof; (e) the United Nations Security Council; and (f) any other Official Body with jurisdiction to administer Anti-Corruption Laws, Anti-Money Laundering Laws or International Trade Laws with respect to the conduct of a Covered Entity.

"**Covered Entity**" means (a) the Borrower and each of the Borrower's subsidiaries; (b) each Guarantor and any pledgor of Collateral; and (c) each Person that directly or indirectly controls a Person described in clause (a) or (b) above.

"**International Trade Laws**" means all Laws relating to economic and financial sanctions, trade embargoes, export controls, customs, and anti-boycott measures.

"**Law**" means any law(s) (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, executive order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award, or any settlement arrangement, by agreement, consent or otherwise, of any Official Body, foreign or domestic.

"**Loan Parties**" means the Borrower and any Guarantors.

"**Official Body**" means the government of the United States of America or of any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

"**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Official Body, or other entity.

"**Sanctioned Jurisdiction**" means, at any time, a country, area, territory, or jurisdiction that is the subject or target of comprehensive U.S. sanctions.

"**Sanctioned Person**" means any Person (a) located in, organized under the laws of, or ordinarily resident in a
Sanctioned Jurisdiction; (b) identified on any sanctions-related list maintained by any Compliance Authority; or (c) owned 50% or more, in the aggregate, directly or indirectly by, controlled by, or acting for, on behalf of, or at the direction of, one or more Persons described in clauses (a) or (b) above.

4. **Affirmative Covenants.** The Borrower agrees that from the date of execution of this Agreement until all Obligations have been paid in full and any commitments of the Bank to the Borrower have been terminated, the Borrower will:

4.1. **Books and Records.** Maintain books and records in accordance with the Applicable Accounting Standards and give representatives of the Bank access thereto at all reasonable times, including permission to examine, copy and make abstracts from any of such books and records and such other information as the Bank may from time to time reasonably request, and the Borrower will make available to the Bank for examination copies of any reports, statements and returns which the Borrower may make to or file with any federal, state or local governmental department, bureau or agency.

4.2. **Financial Reporting.** Deliver or cause to be delivered to the Bank (i) the Financial Statements, reports and certifications, if any, set forth on the Addendum and (ii) such other information about Borrower's or Guarantor's financial condition, properties and operations as and when requested by the Bank, from time to time. As used herein, "**Guarantor**" shall collectively refer to each Entity Guarantor and Individual Guarantor of the Obligations, jointly and severally; " **Entity Guarantor**" shall mean each Guarantor who is not a natural person; and "**Individual Guarantor**" shall mean each Guarantor who is a natural person.

4.3. **Payment of Taxes and Other Charges.** Pay and discharge when due all indebtedness and all taxes, assessments, charges, levies and other liabilities imposed upon the Borrower, its income, profits, property or business, except those which currently are being contested in good faith by appropriate proceedings and for which the Borrower shall have set aside adequate reserves or made other adequate provision with respect thereto acceptable to the Bank in its sole discretion.

4.4. **Maintenance of Existence, Operation and Assets.** Do all things necessary to (i) maintain, renew and keep in full force and effect its organizational existence and all rights, permits and franchises necessary to enable it to continue its business as currently conducted; (ii) continue in operation in substantially the same manner as at present; (iii) keep its properties in good operating condition and repair; and (iv) make all necessary and proper repairs, renewals, replacements, additions and improvements thereto.

4.5. **Insurance.** Maintain, with financially sound and reputable insurers, insurance with respect to its property and business against such casualties and contingencies, of such types and in such amounts, as is customary for established companies engaged in the same or similar business and similarly situated. In the event of a conflict between the provisions of this Section and the terms of any Security Documents relating to insurance, the provisions in the Security Documents will control.

4.6. **Compliance with Laws.** Comply with all laws applicable to the Borrower and to the operation of its business (including without limitation any statute, ordinance, rule or regulation relating to employment practices, pension benefits or environmental, occupational and health standards and controls).

4.7. **Bank Accounts.** Establish and maintain at the Bank the Borrower's primary depository accounts.

4.8. **Financial Covenants.** Comply with all of the financial and other covenants, if any, set forth on the Addendum.

4.9. **Additional Reports.** Provide prompt written notice to the Bank of the occurrence of any of the following (together with a description of the action which the Borrower proposes to take with respect thereto): (i) any Event of Default or any event, act or condition which, with the passage of time or the giving of notice, or both, would constitute an Event of Default (a "**Default**"); (ii) any litigation filed by or against the Borrower involving a claim in excess of $50,000; (iii) any Reportable Event or Prohibited Transaction with respect to any Employee Benefit Plan(s) (as defined in ERISA) or (iv) any event which would be reasonably likely to result in a material adverse change in the business, assets, operations, condition (financial or otherwise) or results of operation of the Borrower.

4.10. **Certification of Beneficial Owners and Other Additional Information.** Provide: (i) such information and documentation as may reasonably be requested by the Bank from time to time for purposes of compliance by the Bank with applicable laws (including without limitation the USA PATRIOT Act and other "know your customer" and anti-money laundering rules and regulations), and any policy or procedure implemented by the Bank to comply therewith; and (ii) if the Borrower is or was required to deliver a Certification of Beneficial Owners to the Bank, (a) confirmation of the accuracy of the information set forth in the most recent Certification of Beneficial Owners provided to the Bank, as and when requested by the Bank; and (b) a new Certification of Beneficial Owners in form and substance acceptable to the Bank when the individual(s) identified as a controlling party and/or a direct or indirect individual owner on the most recent Certification of Beneficial Owners provided to the Bank have changed.

4.11. **Compliance with Anti-Corruption Laws; Anti-Money Laundering Laws and International Trade Laws.** (a) Immediately notify the Bank in writing upon the occurrence of a Reportable Compliance Event; (b) immediately provide substitute Collateral to the Bank if, at any time, any Collateral becomes Blocked Property; and (c) conduct its business in compliance with applicable Anti-Corruption Laws, Anti-Money Laundering Laws and International Trade Laws and maintain in effect policies and procedures reasonably designed to ensure compliance with all applicable Anti-Corruption Laws, Anti-Money Laundering Laws and International Trade Laws by each Covered Entity, and its directors and officers, and any employee, agent or affiliate acting on behalf of such Covered Entity in connection with this Agreement.

"**Reportable Compliance Event**" as used herein means (1) any Covered Entity becomes a Sanctioned Person, or is charged by indictment, criminal complaint, or similar charging instrument, arraigned, custodially detained, penalized or the subject of an assessment for a penalty, by, or enters into a settlement with an Official Body in connection with any Anti-Corruption Law, Anti-Money Laundering Law or International Trade Law, or any predicate crime to any Anti-Corruption Law, Anti-Money Laundering Law or International Trade Law, or has knowledge of facts or circumstances to the effect that it is reasonably likely that any aspect of its operations represents a violation of any Anti-Corruption Law, Anti-Money Laundering Law or International Trade Law; (2) any Covered Entity engages in a transaction that has caused or would cause the Bank to be in violation of any
International Trade Law or Anti-Corruption Law, including a Covered Entity's use of any proceeds of the Loans hereunder to directly or indirectly fund any activities or business of, with or for the benefit of any Sanctioned Person, or to fund or facilitate any activities or business of or in any Sanctioned Jurisdiction; (3) any Collateral qualifies as Blocked Property, or (4) any Covered Entity otherwise violates, or reasonably believes it will violate, any of the International Trade Law- or Anti-Corruption Law-specific representations and covenants herein.

5. **Negative Covenants.** The Borrower covenants and agrees that from the date of this Agreement until all Obligations have been paid in full and any commitments of the Bank to the Borrower have been terminated, except as set forth in the Addendum, the Borrower will not, without the Bank's prior written consent:

5.1. **Indebtedness.** Create, incur, assume or suffer to exist any indebtedness for borrowed money other than:

(i) the Loan and any subsequent indebtedness to the Bank; and

(ii) open account trade debt incurred in the ordinary course of business and not past due.

(iii) other existing or future indebtedness in an aggregate principal amount not to exceed $100,000.00, and any refinancings thereof; provided that the amount of the refinancing indebtedness is not more than the outstanding principal amount of the refinanced indebtedness, and the terms of the refinancing indebtedness are no more favorable to the lender than the terms of the refinanced indebtedness; and

(iv) indebtedness in respect of purchase money financings of personal property.

5.2. **Liens and Encumbrances.** Except as provided in **Section 3.6**, create, assume, incur or permit to exist any mortgage, pledge, encumbrance, security interest, lien or charge of any kind upon any of its property, now owned or hereafter acquired, or acquire or agree to acquire any kind of property subject to any conditional sales or other title retention agreement, except liens on the assets purchased with purchase money indebtedness permitted pursuant to **Section 5.1** (iv) above.

5.3. Guarantees. Guarantee, endorse or become contingently liable for the obligations of any person, firm, corporation or other entity, except in connection with the endorsement and deposit of checks for collection in the ordinary course of business.

5.4. Loans or Advances. Purchase or hold beneficially any stock, other securities or evidence of indebtedness of, or make or have outstanding, any loans or advances to, or otherwise extend credit to, or make any investment or acquire any interest whatsoever in, any other person, firm, corporation or other entity, except investments disclosed on the Borrower's Financial Statements that have been provided to the Bank on or before the date hereof, or that are otherwise acceptable to the Bank in its sole discretion and except for advances to employees for business expenses. Use of proceeds of any Loan with regard to any business involving marijuana business with regard to repayment of any Loan nor place any proceeds of any marijuana business in any accounts with the Bank. Notwithstanding the foregoing, prior to the date hereof, the Borrower made an advance to the Guarantor in an approximate amount of $1,600,000 (the "**VeryifyMe Advance**"). The Bank hereby agrees that the VerifyMe Advance will be allowed to continue to exist but no further advances may be made.

5.5. Merger or Transfer of Assets. Liquidate or dissolve, or merge or consolidate with or into any person, firm, corporation or other entity, or sell, lease, transfer or otherwise dispose of all or a substantial part of its property, assets, operations or business, whether now owned or hereafter acquired.

5.6. Change in Business, Management or Ownership. Make or permit, nor shall any Guarantor or grantor under the Security Documents make or permit, any change in (i) its form of organization, including a division into two or more entities; (ii) the nature of its business as carried on as of the date hereof; (iii) the composition of its current executive management; or (iv) its equity ownership.

5.7. Dividends. On and after the occurrence of an Event of Default or if an Event of Default would occur as a result thereof, declare or pay any dividends on or make any distribution with respect to any class of its equity or ownership interest, or purchase, redeem, retire or otherwise acquire any of its equity.

5.8. Acquisitions. Make acquisitions of all or substantially all of the property or assets of any person, firm, corporation or other entity.

5.9. Anti-Corruption Laws; Anti-Money Laundering Laws; International Trade Laws. (I) Permit its directors and officers, and any employee, agent or affiliate acting on behalf of any Loan Party in connection with this Agreement, nor such Loan Party's subsidiaries to (a) become a Sanctioned Person; (b) directly or indirectly provide, use, or make available the proceeds of any Loan hereunder (i) to fund any activities or business of, with, or for the benefit of any Person that, at the time of such funding or facilitation, is a Sanctioned Person, (ii) to fund or facilitate any activities or business of or in any Sanctioned Jurisdiction, (iii) in any manner that could result in a violation by any Person (including the Bank) of Anti-Corruption Laws, AntiMoney Laundering Laws or International Trade Laws or (iv) in violation of any applicable Law, including, without limitation, any applicable Anti-Corruption Law, Anti-Money Laundering Law or International Trade Law; (c) repay any Loan with Blocked Property or funds derived from any unlawful activity; or (d) permit any Collateral to become Blocked Property; nor (II) directly or indirectly provide, use, or make available the proceeds of any Loan hereunder to any such Loan Party's subsidiaries that is not party to this Agreement.

6. Events of Default. The occurrence of any of the following will be deemed to be an " **Event of Default**":

6.1. Covenant Default. The Borrower shall default in the performance of any of the covenants or agreements contained in this Agreement.

6.2. Breach of Warranty. Any Financial Statement, representation, warranty or certificate made or furnished by the Borrower to the Bank in connection with this Agreement shall be false, incorrect or incomplete when made.

6.3. Other Default. The occurrence of (i) an Event of Default as defined in the Note or any of the other Loan Documents and (ii) a default or event of default under or as defined in any other agreement, instrument or document between the Borrower and PNC Bank, National Association or any of its subsidiaries or affiliates.

Upon the occurrence of an Event of Default, the Bank will have all rights and remedies specified in the Note and the other Loan Documents and all rights and remedies available under applicable law or in equity.

Notwithstanding anything contained herein, if there is any conflict or discrepancy between the provisions of the section of this Agreement entitled "Events of Default" with the provisions of the section of the Note entitled "Events of Default", the provisions of the section of the Note entitled "Events of Default" shall control and prevail.

7. Conditions. The Bank's obligation to make any advance under any Loan, or to issue any letter of credit, is subject to the conditions that as of the date of the advance:

7.1. No Event of Default. No Event of Default or Default shall have occurred and be continuing.

7.2. Authorization Documents. The Bank shall have received certified copies of resolutions of the board of directors, the general partners or the members or managers of any partnership, corporation or limited liability company that executes this Agreement, the Note or any of the other Loan Documents; or other proof of authorization satisfactory to the Bank.

7.3. Receipt of Loan Documents. The Bank shall have received the Loan Documents and such other instruments and documents which the Bank may reasonably request in connection with the transactions provided for in this Agreement, which may include an opinion of counsel in form and substance satisfactory to the Bank for any party executing any of the Loan Documents.

7.4. Fees. The Bank shall have received all fees owing in respect of the Loan.

8. Fees; Expenses. The Borrower agrees to reimburse the Bank, upon the execution of this Agreement, and otherwise on demand, all fees due and payable to the Bank hereunder and under the other Loan Documents and all costs and expenses incurred by the Bank in connection with the preparation, negotiation and delivery of this Agreement and the other Loan Documents, and any modifications or amendments thereto or renewals thereof, and the collection of all of the Obligations, including but not limited to enforcement actions, relating to the Loan, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions or proceedings arising out of or relating to this Agreement, including (i) reasonable fees and expenses of counsel (which may include costs of in-house counsel); (ii) all costs related to conducting UCC, title and other public record searches; (iii) fees for filing and recording documents in the public records to perfect the Bank's liens and security interests; (iv) expenses for auditors, appraisers and environmental consultants; and (v) taxes. The Borrower hereby authorizes and directs the Bank to charge Borrower's deposit account(s) with the Bank for any and all of the foregoing fees, costs and expenses.

9. Increased Costs. On written demand, together with written evidence of the justification therefor, the Borrower agrees to pay the Bank all direct costs incurred, any losses suffered or payments made by the Bank as a result of any Change in Law (hereinafter defined), imposing any reserve, deposit, allocation of capital or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets relative to the Loan. "**Change in Law**" means the occurrence, after the date hereof, of any of the following: (i) the adoption or taking effect of any law, rule, regulation or treaty; (ii) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any governmental authority or (iii) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any governmental authority; provided that notwithstanding anything herein to the contrary, (a) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (b) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

10. **Miscellaneous**.

10.1. **Notices**. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder (" **Notices**") must be in writing (except as may be agreed otherwise above with respect to borrowing requests or as otherwise provided in this Agreement) and will be effective upon receipt. Notices may be given in any manner to which the parties may agree. Without limiting the foregoing, first-class mail, postage prepaid, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. In addition, the parties agree that Notices may be sent electronically to any electronic address provided by a party from time to time. Notices may be sent to a party's address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this section.

10.2. **Preservation of Rights; Waivers of Marshalling, Setoff, and Certain Other Rights** . No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. In addition to the other waivers hereunder, the Borrower waives, to the extent permitted by applicable law, (i) any and all rights to require the Bank to marshal assets or collateral, to proceed first against, or realize on, any assets or collateral or other credit support before proceeding against or realizing on any other assets or collateral or other credit support, or to otherwise require the Bank to exercise rights or remedies in any particular sequence, in connection with any of the Obligations, and (ii) any and all rights to set off or reduce the amount of the Obligations or any related deficiency against any obligations of the Bank, or on account of the value of any collateral or other credit support, or otherwise, whether any such rights described in this sentence are based on or asserted under any statutory provision, common law, equity or otherwise.

10.3. **Illegality**. If any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Agreement.

10.4. **Changes in Writing**. No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Agreement will be effective unless made in a writing signed by the party to be charged, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Notwithstanding the foregoing, the Bank may modify this Agreement or any of the other Loan Documents for the purposes of completing missing content or correcting erroneous content, without the need for a written amendment, provided that the Bank shall send a copy of any such modification to the Borrower (which notice may be given by electronic mail). No notice to or demand on the Borrower will entitle the Borrower to any other or further notice or demand in the same, similar or other circumstance.

10.5. **Entire Agreement**. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof. The representations, warranties, covenants, and agreements in this Agreement regarding Anti-Corruption Laws, International Trade Laws and Anti-Money Laundering Laws will control to the extent of any inconsistency between any such provisions and any provision in any Note regarding such matters.

10.6. **Counterparts**. This Agreement and any other Loan Document may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement or any other Loan Document by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Agreement or any other Loan Document by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

10.7. **Successors and Assigns**. This Agreement will be binding upon and inure to the benefit of the Borrower and the Bank and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Borrower may not assign this Agreement in whole or in part without the Bank's prior written consent and the Bank at any time may assign this Agreement in whole or in part.

10.8. **Interpretation**. In this Agreement, unless the Bank and the Borrower otherwise agree in writing, the singular includes the plural and the plural the singular; words importing any gender include the other genders; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to articles, sections (or subdivisions of sections) or exhibits are to those of this Agreement; and references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. Unless otherwise specified in this Agreement, all accounting terms shall be interpreted and all accounting determinations shall be made in accordance with the Applicable Accounting Standards. If this Agreement is executed by more than one party as Borrower, the obligations of such persons or entities will be joint and several.

10.9. **No Consequential Damages, Etc.**. The Bank will not be responsible for any damages, consequential, incidental, special, punitive or otherwise, that may be incurred or alleged by any person or entity, including the Borrower and any Guarantor, as a result of this Agreement, the other Loan Documents, the transactions contemplated hereby or thereby, or the use of the proceeds of the Loan.

10.10. **Assignments and Participations**. At any time, without any notice to the Borrower, the Bank may sell, assign, transfer, negotiate, grant participations in, or otherwise dispose of all or any part of the Bank's interest in the Loan. The Borrower hereby authorizes the Bank to provide, without any notice to the Borrower, any information concerning the Borrower, including information pertaining to the Borrower's financial condition, business operations or general creditworthiness, to any assignee of or participant in or any prospective assignee of or participant in all or any part of the Bank's interest in the Loan.

10.11. **USA PATRIOT Act Notice. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each Borrower that opens an account. What this means: when the Borrower opens an account, the Bank will ask for the business name, business address, taxpayer identifying number and other information or documentation that will allow the Bank to identify the Borrower, such as organizational documents. For some businesses and organizations, the Bank may also need to ask for identifying information and documentation relating to certain individuals associated with the business or organization.**

10.12. **Important Information about Phone Calls**. By providing telephone number(s) to the Bank, now or at any later time, the Borrower hereby authorizes the Bank and its affiliates and designees to contact the Borrower regarding the Borrower's account(s) with the Bank or its affiliates, whether such accounts are Borrower's individual accounts or business accounts for which Borrower is a contact, at such numbers using any means, including but not limited to placing calls using an automated dialing system to cell, VoIP or other wireless phone number, or by leaving prerecorded messages or sending text messages, even if charges may be incurred for the calls or text messages. Borrower hereby consents that any phone call with the Bank may be monitored or recorded by the Bank.

10.13. **Confidentiality**. In connection with the Obligations, this Agreement and the other Loan Documents, the Bank and the Borrower will be providing to each other, whether orally, in writing or in electronic format, nonpublic, confidential or proprietary information (collectively, " **Confidential Information**"). Each of the Borrower and the Bank agrees (i) to hold the Confidential Information of the other in confidence; and (ii) not to disclose or permit any other person or entity access to the Confidential Information of the other party, except for disclosure or access (a) to a party's affiliates and its or their employees, officers, directors, agents, representatives, (b) to other third parties that provide or may provide ancillary support relating to the Obligations, this Agreement and/or the other Loan Documents, (c) in connection with the exercise of any remedies or enforcement of rights under this Agreement or any action or proceeding relating to the Obligations, this Agreement and/or the other Loan Documents, (d) to its external or internal auditors or regulatory authorities, or (e) upon the order of a court or other governmental agency having jurisdiction over a party. It is understood and agreed that the obligation to protect such Confidential Information shall be satisfied if the party receiving such Confidential Information utilizes the same control (but no less than reasonable) as it does to avoid disclosure of its own confidential and valuable information. It is also understood and agreed that no information shall be within the protection of this Agreement where such information: (w) is or becomes publicly available through no fault of the party to whom such Confidential Information has been disclosed, (x) is released by the originating party to anyone without restriction, (y) is rightly obtained from third parties who are not, to such receiving party's knowledge, under an obligation of confidentiality, or (z) is required to be disclosed by subpoena or similar process of applicable law or regulations.

For the purposes of this Agreement, Confidential Information of a party shall include, without limitation, any financial information, scientific or technical information, design, process, procedure or improvement and all concepts, documentation, reports, data, data formats, specifications, computer software, source code, object code, user manuals, financial models, screen displays and formats, software, databases, inventions, knowhow, showhow and trade secrets, whether or not patentable or copyrightable, whether owned by a party or any third party, together with all memoranda, analyses, compilations, studies, notes, records, drawings, manuals or other documents or materials which contain or otherwise reflect any of the foregoing information.

Each of the Borrower and the Bank agrees to return to the other or destroy all Confidential Information of the other upon the termination of this Agreement; provided, however, each party may retain such limited information for customary archival and audit purposes only for reference with respect to prior dealings between the parties subject at all times to the continuing terms of this **Section 10.13**.

Each of the Borrower and the Bank agrees not to use the other's name or logo in any marketing, advertising or related materials, without the prior written consent of the other party.

10.14. Sharing Information with Affiliates of the Bank. The Borrower acknowledges that from time to time other financial and banking services may be offered or provided to the Borrower or one or more of its subsidiaries and/or affiliates (in connection with this Agreement or otherwise) by the Bank or by one or more subsidiaries or affiliates of the Bank or of The PNC Financial Services Group, Inc., and the Borrower hereby authorizes the Bank to share any information delivered to the Bank by the Borrower and/or its subsidiaries and/or affiliates pursuant to this Agreement or any of the Loan Documents to any subsidiary or affiliate of the Bank and/or The PNC Financial Services Group, Inc., subject to any provisions of confidentiality in this Agreement or any other Loan Documents.

10.15. Electronic Signatures and Records. Notwithstanding any other provision herein, the Borrower agrees that this Agreement, the Loan Documents, any amendments thereto, and any other information, notice, signature card, agreement or authorization related thereto (each, a "**Communication**") may, at the Bank's option, be in the form of an electronic record. Any Communication may, at the Bank's option, be signed or executed using electronic signatures. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Bank of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format) for transmission, delivery and/or retention.

10.16. Governing Law and Jurisdiction. This Agreement has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. **THIS AGREEMENT WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BANK AND THE BORROWER DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE BANK'S OFFICE INDICATED ABOVE IS LOCATED , EXCLUDING ITS CONFLICT OF LAWS RULES, INCLUDING WITHOUT LIMITATION THE ELECTRONIC TRANSACTIONS ACT (OR EQUIVALENT) IN EFFECT IN THE STATE WHERE THE BANK'S OFFICE INDICATED ABOVE IS LOCATED (OR, TO THE EXTENT CONTROLLING, THE LAWS OF THE UNITED STATES OF AMERICA, INCLUDING WITHOUT LIMITATION THE ELECTRONIC SIGNATURES IN GLOBAL AND NATIONAL COMMERCE ACT)**. The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Agreement will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction. The Bank and the Borrower agree that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Agreement.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

10.17. WAIVER OF JURY TRIAL. EACH OF THE BORROWER AND THE BANK IRREVOCABLY WAIVES ANY AND ALL RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE BORROWER AND THE BANK ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Borrower acknowledges that it has read and understands all the provisions of this Agreement, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above.

PERISHIP GLOBAL LLC

By: VERIFYME, INC., Sole Member

By: /s/ Adam Stedham (SEAL)

Adam Stedham, Chief Executive Officer

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Matthew Ludwig (SEAL)

Matthew Ludwig, Vice President

ADDENDUM

ADDENDUM to that certain Amended and Restated Loan Agreement dated October 31, 2023, between PERISHIP GLOBAL LLC as the Borrower and PNC Bank, National Association, as the Bank. Capitalized terms used in this Addendum and not otherwise defined shall have the meanings given them in the Agreement. Section numbers below refer to the sections of the Agreement. This Addendum is incorporated into and made a part of the Agreement. All references in the Agreement and this Addendum to the "Agreement" shall include both the Agreement and this Addendum.

3.6 **Title to Assets.** Describe additional liens and encumbrances below:

None.

3.7 **Litigation.** Describe pending and threatened litigation, investigations, proceedings, etc. involving a claim in excess of $50,000 below:

None.

3.10 **Environmental Matters.** Describe pending or threatened litigation or proceeding arising under, relating to or in connection with any Environmental Law below:

None

CONTINUATION OF ADDENDUM

4.2 **Financial Reporting Requirements.**

1. **Borrower's Financial Reporting.**

(a) **Annual Financial Statements.** Within one hundred twenty (120) days after the end of each fiscal year, the Borrower's Financial Statements for such period, in reasonable detail, certified by an authorized officer of the Borrower and prepared in accordance with the Applicable Accounting Standards, consistently applied from period to period.

(b) **Accounts Receivable and Accounts Payable Agings.** Within one hundred twenty (120) days following the end of each year, the Borrower's detailed schedule of accounts receivable and accounts payable aging analysis.

2. **Guarantor's Financial Reporting - Entity Guarantor.**

(a) **Annual Audited Financial Statements.** Within one hundred twenty (120) days after the end of each fiscal year, Entity Guarantor's Financial Statements. The Financial Statements will be prepared on an audited basis in accordance with the Applicable Accounting Standards by an independent certified public accountant selected by the Borrower and satisfactory to the Bank. Audited Financial Statements shall contain the unqualified opinion of an independent certified public accountant and all accountant examinations shall have been made in accordance with the Applicable Accounting Standards consistently applied from period to period.

(b) **Annual Company Prepared Financial Statements.** Within one hundred twenty (120) days after the end of each fiscal year, the Entity Guarantor's Financial Statements for such period, in reasonable detail, certified by an authorized officer of the Entity Guarantor and prepared in accordance with the Applicable Accounting Standards, consistently applied from period to period.

(c) **Accounts Receivable and Accounts Payable Agings.** Within one hundred twenty (120) days following the end of each year, the Entity Guarantor's detailed schedule of accounts receivable and accounts payable aging analysis.

CONTINUATION OF ADDENDUM

4.8 **Financial Covenants.**

(1) The Borrower will maintain as of the end of each fiscal year, a Fixed Charge Coverage Ratio of at least 1.10 to 1.00.

As used herein:

"**Current Maturities**" means the scheduled payments of principal on all indebtedness for borrowed money having an original term of more than one year (including but not limited to amortization of capital or finance lease obligations), as shown on the Borrower's Financial Statements as of one year prior to the date of determination.

"**EBITDA**" means net income plus interest expense plus income tax expense plus depreciation plus amortization.

"**Fixed Charge Coverage Ratio**" means (i) EBITDA, divided by (ii) the sum of Current Maturities plus interest expense plus cash taxes paid plus dividends plus Unfunded Capital Expenditures.

"**Unfunded Capital Expenditures**" means capital expenditures made from the Borrower's funds other than funds borrowed as term debt to finance such capital expenditures.

All of the above financial covenants shall be computed and determined in accordance with the Applicable Accounting Standards applied on a consistent basis (subject to normal year-end adjustments).

Exhibit 10.2

Waiver and Amendment to Loan Documents

THIS WAIVER AMENDMENT TO LOAN DOCUMENTS (this "**Amendment**") is made as of October 31, 2023, by and between **PERISHIP GLOBAL LLC** (the "**Borrower**"), and **PNC BANK, NATIONAL ASSOCIATION** (the "**Bank**").

BACKGROUND

A. The Borrower or another obligor has executed and delivered to the Bank (or a predecessor which is now known by the Bank's name as set forth above), one or more promissory notes, letter agreements, loan agreements, security agreements, mortgages, pledge agreements, collateral assignments, and other agreements, instruments, certificates and documents, some or all of which are more fully described on attached Exhibit A, which is made a part of this Amendment (collectively as amended from time to time, the "**Loan Documents**") which evidence or secure some or all of the indebtedness and other obligations of the Borrower to the Bank for one or more loans or other extensions of credit (as used herein, collectively, together with the Obligations, if and as defined in the Loan Documents, the "**Obligations**"). Any initially capitalized terms used in this Amendment without definition shall have the meanings assigned to those terms in the Loan Documents.

B. The Borrower and the Bank desire to amend the Loan Documents, and to waive certain defaults thereunder, as provided for in this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain of the Loan Documents are amended, and certain defaults under the Loan Documents are waived, as set forth in Exhibit A. Any and all references to any Loan Document in any other Loan Document shall be deemed to refer to such Loan Document as amended by this Amendment. This Amendment is deemed incorporated into each of the Loan Documents. To the extent that any term or provision of this Amendment is or may be inconsistent with any term or provision in any Loan Document, the terms and provisions of this Amendment shall control.

2. The Borrower hereby certifies that: (a) all of its representations and warranties in the Loan Documents, as amended by this Amendment, are, except as may otherwise be stated in this Amendment: (i) true and correct as of the date of this Amendment, (ii) ratified and confirmed without condition as if made anew, and (iii) incorporated into this Amendment by reference, (b) no Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default, exists under any Loan Document which will not be cured by the execution and effectiveness of this Amendment, (c) no consent, approval, order or authorization of, or registration or filing with, any third party is required in connection with the execution, delivery and carrying out of this Amendment or, if required, has been obtained, and (d) this Amendment has been duly authorized, executed and delivered so that it constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms. The Borrower confirms that the Obligations remain outstanding without defense, set off, counterclaim, discount or charge of any kind as of the date of this Amendment.

3. The Borrower hereby confirms that any collateral for the Obligations, including liens, security interests, mortgages, and pledges granted by the Borrower or third parties (if applicable), shall continue unimpaired and in full force and effect, and shall cover and secure all of the Borrower's existing and future Obligations to the Bank, as modified by this Amendment.

---

4. As a condition precedent to the effectiveness of this Amendment, the Borrower shall comply with the terms and conditions (if any) specified in Exhibit A.

5. To induce the Bank to enter into this Amendment, the Borrower waives and releases and forever discharges the Bank and its officers, directors, attorneys, agents, and employees from any liability, damage, claim, loss or expense of any kind that it may have against the Bank or any of them arising out of or relating to the Obligations. The Borrower further agrees to indemnify and hold the Bank and its officers, directors, attorneys,
agents and employees harmless from any loss, damage, judgment, liability or expense (including attorneys' fees) suffered by or rendered against the Bank or any of them on account of any claims arising out of or relating to the Obligations. The Borrower further states that it has carefully read the foregoing release and indemnity, knows the contents thereof and grants the same as its own free act and deed.

6. This Amendment may be signed in any number of counterpart copies and by the parties to this Amendment on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart. Upon written request by the other party (which may be made by electronic mail), any party so executing this Amendment by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

7. Notwithstanding any other provision herein or in the other Loan Documents, the Borrower agrees that this Amendment, the Loan Documents, any other amendments thereto and any other information, notice, signature card, agreement or authorization related thereto (each, a "**Communication**") may, at the Bank's option, be in the form of an electronic record. Any Communication may, at the Bank's option, be signed or executed using electronic signatures. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Bank of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format) for transmission, delivery and/or retention. The Borrower and the Bank acknowledge and agree that the methods for delivering Communications, including notices, under the Loan Documents include electronic transmittal to any electronic address provided by either party to the other party from time to time.

8. The Bank may modify this Amendment for the purposes of completing missing content or correcting erroneous content, without the need for a written amendment, provided that the Bank shall send a copy of any such modification to the Borrower (which notice may be given by electronic mail).

9. This Amendment will be binding upon and inure to the benefit of the Borrower and the Bank and their respective heirs, executors, administrators, successors and assigns.

10. This Amendment will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State identified in and governing the Loan Documents that are being amended hereby (the "**State**"), excluding its conflict of laws rules, including without limitation the Electronic Transactions Act (or equivalent) in such State (or, to the extent controlling, the laws of the United States of America, including without limitation the Electronic Signatures in Global and National Commerce Act). This Amendment has been delivered to and accepted by the Bank and will be deemed to be made in the State.

11. Except as amended hereby, the terms and provisions of the Loan Documents remain unchanged, are and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms, and are hereby ratified and confirmed. Except as expressly provided herein, this Amendment shall not constitute an amendment, waiver, consent or release with respect to any provision of any Loan Document, a waiver of any default or Event of Default under any Loan Document, or a waiver or release of any of the Bank's rights and remedies (all of which are hereby reserved). **The Borrower expressly ratifies and confirms the confession of judgment (if applicable) and dispute resolution, waiver of jury trial or arbitration provisions, as applicable, contained in the Loan Documents, all of which are incorporated herein by reference.**

---

12. **The Borrower hereby empowers any attorney of any court of record, after the occurrence of any Event of Default hereunder, to appear for the Borrower and, with or without complaint filed, confess judgment, or a series of judgments, against the Borrower in favor of the Bank or any assignee thereof for the entire principal balance under any or all of the Loan Documents, all accrued interest and all other amounts due thereunder, together with costs of suit and an**

attorney's commission of the greater of 10% of such principal and interest or $1,000 added as a reasonable attorney's fee, and for doing so, the applicable Loan Documents or a copy verified by affidavit shall be a sufficient warrant. The Borrower hereby forever waives and releases all errors in said proceedings and all rights of appeal and all relief from any and all appraisement, stay or exemption laws of any state now in force or hereafter enacted. The Borrower acknowledges and agrees that, pursuant to the foregoing power to confess judgment granted to the Bank, the Borrower is voluntarily and knowingly waiving its right to notice and a hearing prior to the entry of a judgment by the Bank against the Borrower. Interest on any such judgment shall accrue at the Default Rate as defined in the applicable Loan Documents.

No single exercise of the foregoing power to confess judgment, or a series of judgments, shall be deemed to exhaust the power, whether or not any such exercise shall be held by any court to be invalid, voidable, or void, but the power shall continue undiminished and it may be exercised from time to time as often as the Bank shall elect until such time as the Bank shall have received payment in full of the debt, interest and costs. Notwithstanding the attorney's commission provided for in the preceding paragraph (which is included in the warrant for purposes of establishing a sum certain), the amount of attorneys' fees that the Bank may recover from the Borrower shall not exceed the actual attorneys' fees incurred by the Bank.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

WITNESS the due execution of this Amendment as a document under seal as of the date first written above.

PERISHIP GLOBAL LLC

By: VERIFYME, INC., Sole Member

By: /s/ Adam Stedham (SEAL)

Adam Stedham, Chief Executive Officer

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Matthew Ludwig (SEAL)

Matthew Ludwig, Vice President

EXHIBIT A TO
WAIVER AND AMENDMENT TO LOAN DOCUMENTS
DATED AS OF OCTOBER 31, 2023

A. **Loan Documents.** The Loan Documents that are the subject of this Amendment include the following (as each of such documents has been amended, modified or otherwise supplemented previously):

1. $1,000,000.00 Revolving Line of Credit Note dated September 15, 2022, executed and delivered to the Bank by the Borrower (the "**Note**")

2. Loan Agreement dated September 15, 2022, between the Borrower and the Bank (the "**Existing Loan Agreement")**

3. All other documents, instruments, agreements, and certificates executed and delivered in connection with the Loan Documents listed in this Section A.

B. **Waiver.** The Borrower has acknowledged and agreed with the Bank that the Borrower failed to comply with the covenant set forth in Section 5.4 of the Existing Loan Agreement for the periods ending December 31, 2022, and June 30, 2023, in connection with the advance made to the Guarantor. The Borrower's failure to comply with the foregoing covenant constitutes one or more Events of Default under the Loan Documents. The Borrower has requested that the Bank waive the Events of Default resulting from such non-compliance. In reliance upon the Borrower's representations and warranties and subject to the terms and conditions set forth herein, the Bank agrees to grant a waiver of Borrower's non-compliance with the foregoing covenants and of the Events of Default resulting from such violation solely for the above-referenced periods. The Borrower agrees that it will hereafter comply fully with these covenants and all other provisions of the Loan Documents, which remain in full force and effect. Except as expressly described in this Amendment, this waiver shall not constitute (a) a modification or an alteration of the terms, conditions or covenants of the Loan Documents or (b) a waiver, release or limitation upon the Bank's exercise of any of its rights and remedies thereunder, which are hereby expressly reserved. This waiver shall not relieve or release the Borrower in any way from any of its respective duties, obligations, covenants or agreements under the Loan Documents or from the consequences of any Event of Default thereunder, except as expressly described above. This waiver shall not obligate the Bank, or be construed to require the Bank, to waive any other Events of Default or defaults, whether now existing or which may occur after the date of this waiver.

C. **Amendment(s).** The Loan Documents are amended as follows:

1. **Restated Loan Agreement**. Concurrently with the execution and delivery of this Amendment, the Borrower shall execute and deliver to the Bank an amended and restated loan agreement (the "**Restated Loan Agreement**"), in form and substance satisfactory to the Bank. Upon receipt by the Bank of the Restated Loan Agreement, all references to the Existing Loan Agreement in any documents relating thereto, howsoever named, shall thereafter be deemed to refer to the Restated Loan Agreement.

2. The Expiration Date, as set forth in the Note, is hereby extended from December 14, 2023, to September 30, 2024, effective on December 15, 2023.

3. The following representations, warranties, covenants, and agreements regarding Anti-Corruption Laws, International Trade Laws and Anti-Money Laundering Laws, together with the following related definitions, are hereby added to the Loan Agreement (or, alternatively, hereby replace any prior provisions in the Loan Agreement regarding such subject matter) and will control to the extent of any inconsistency between any of the following provisions and any provision in any Note regarding such matters:

"**Anti-Corruption Laws and International Trade Laws; Anti-Money Laundering Laws; Certain Definitions** .

Representations and Warranties. The Borrower hereby makes the following representations and warranties, which shall be continuing in nature and remain in full force and effect until the Obligations are paid in full:

Each Covered Entity, and its directors and officers, and each employee, agent or affiliate acting on behalf of such Covered Entity: (a) is not a Sanctioned Person; (b) does not do any business in or with, or derive any of its operating income from direct or indirect investments in or transactions involving, any Sanctioned Jurisdiction or Sanctioned Person; and (c) is not in violation of, and has not, during the past five (5) years, directly or indirectly, taken any act that could cause any Covered Entity to be in violation of, applicable International Trade Laws or AntiCorruption Laws.

No Covered Entity nor any of its directors, officers, employees, or to the knowledge of the Borrower, any agents or affiliates acting on behalf of any Covered Entity has, during the past five (5) years, received any notice or communication from any Person that alleges, or been involved in an internal investigation involving any allegations relating to, potential violation of any International Trade Laws or Anti-Corruption Laws, or received a request for information from any Official Body regarding International Trade Law matters or Anti-Corruption Law matters. There is no Blocked Property pledged as Collateral.

Affirmative Covenants. The Borrower agrees that from the date of execution of this Agreement until all Obligations have been paid in full and any commitments of the Bank to the Borrower have been terminated, the Borrower shall (a) immediately notify the Bank in writing upon the occurrence of a Reportable Compliance Event; (b) immediately provide substitute Collateral to the Bank if, at any time, any Collateral becomes Blocked Property; and (c) conduct its business in compliance with applicable Anti-Corruption Laws, Anti-Money Laundering Laws and International Trade Laws and maintain in effect policies and procedures reasonably designed to ensure compliance with all applicable Anti-Corruption Laws, Anti-Money Laundering Laws and International Trade Laws by each Covered Entity, and its directors and officers, and any employee, agent or affiliate acting on behalf of such Covered Entity in connection with this Agreement.

Negative Covenants. The Borrower covenants and agrees that from the date of this Agreement until all Obligations have been paid in full and any commitments of the Bank to the Borrower have been terminated, the Borrower will not, without the Bank's prior written consent, (I) permit its directors and officers, and any employee, agent or affiliate acting on behalf of any Loan Party in connection with this Agreement, nor such Loan Party's subsidiaries to (a) become a Sanctioned Person; (b) directly or indirectly provide, use, or make available the proceeds of any Loan hereunder (i) to fund any activities or business of, with, or for the benefit of any Person that, at the time of such funding or facilitation, is a Sanctioned Person, (ii) to fund or facilitate any activities or business of or in any Sanctioned Jurisdiction, (iii) in any manner that could result in a violation by any Person (including the Bank) of Anti-Corruption Laws, Anti-Money Laundering Laws or International Trade Laws or (iv) in violation of any applicable Law, including, without limitation, any applicable Anti-Corruption Law, Anti-Money Laundering Law or International Trade Law; (c) repay any Loan with Blocked Property or funds derived from any unlawful activity; or (d) permit any Collateral to become Blocked Property; nor (II) directly or indirectly provide, use, or make available the proceeds of any Loan hereunder to any such Loan Party's subsidiaries that is not party to this Agreement.

Certain Definitions. As used herein:

"**Anti-Corruption Laws**" means (a) the U.S. Foreign Corrupt Practices Act of 1977, as amended, (b) the U.K. Bribery Act 2010, as amended, and (c) any other applicable Law relating to antibribery or anti-corruption in any jurisdiction in which any Loan Party is located or doing business.

"**Anti-Money Laundering Laws**" means (a) the Bank Secrecy Act and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001; (b) the U.K. Proceeds of Crime Act 2002, the Money Laundering Regulations 2017, as amended and the Terrorist Asset-Freezing etc. Act 2010; and (c) any other applicable Law relating to anti-money laundering and countering the financing of terrorism in any jurisdiction in which any Loan Party is located or doing business.

"**Blocked Property**" means any property (a) owned, directly or indirectly, by a Sanctioned Person; (b) due to or from a Sanctioned Person; (c) in which a Sanctioned Person otherwise holds any interest; (d) located in a Sanctioned Jurisdiction; or (e) that otherwise could cause any actual or possible violation by the Bank of any applicable International Trade Law if the Bank were to obtain an encumbrance on, lien on, pledge of, or security interest in such property, or provide services in consideration of such property.

"**Collateral**" means any collateral securing any debt, liabilities, or other obligations of any Loan Party to the Bank.

"**Compliance Authority**" means (a) the United States government or any agency or political subdivision thereof, including, without limitation, the U.S. Department of State, the U.S. Department of Commerce, the U.S. Department of the Treasury and its Office of Foreign Assets Control, and the U.S. Customs and Border Protection agency; (b) the government of Canada or any agency thereof; (c) the European Union or any agency thereof; (d) the government of the United Kingdom or any agency thereof; (e) the United Nations Security Council; and (f) any other Official Body with jurisdiction to administer Anti-Corruption Laws, Anti-Money Laundering Laws or International Trade Laws with respect to the conduct of a Covered Entity.

"**Covered Entity**" means (a) the Borrower and each of the Borrower's subsidiaries; (b) each Guarantor and any pledgor of Collateral; and (c) each Person that directly or indirectly controls a Person described in clause (a) or (b) above.

"**International Trade Laws**" means all Laws relating to economic and financial sanctions, trade embargoes, export controls, customs, and anti-boycott measures.

"**Law**" means any law(s) (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, executive order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award, or any settlement arrangement, by agreement, consent or otherwise, of any Official Body, foreign or domestic.

"**Loan Parties**" means the Borrower and any Guarantors.

"**Official Body**" means the government of the United States of America or of any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

"**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Official Body, or other entity.

"**Reportable Compliance Event**" as used herein means (1) any Covered Entity becomes a Sanctioned Person, or is charged by indictment, criminal complaint, or similar charging instrument, arraigned, custodially detained, penalized or the subject of an assessment for a penalty, by, or enters into a settlement with an Official Body in connection with any AntiCorruption Law, Anti-Money Laundering Law or International Trade Law, or any predicate crime to any Anti-Corruption Law, Anti-Money Laundering Law or International Trade Law, or has knowledge of facts or circumstances to the effect that it is reasonably likely that any aspect of its operations represents a violation of any Anti-Corruption Law, Anti-Money Laundering Law or International Trade Law; (2) any Covered Entity engages in a transaction that has caused or would cause the Bank to be in violation of any International Trade Law or Anti-Corruption Law, including a Covered Entity's use of any proceeds of the Loans hereunder to directly or indirectly fund any activities or business of, with or for the benefit of any Sanctioned Person, or to fund or facilitate any activities or business of or in any Sanctioned Jurisdiction; (3) any Collateral qualifies as Blocked Property, or (4) any Covered Entity otherwise violates, or reasonably believes it will violate, any of the International Trade Law- or Anti-Corruption Law-specific representations and covenants herein.

"**Sanctioned Jurisdiction**" means, at any time, a country, area, territory, or jurisdiction that is the subject or target of comprehensive U.S. sanctions.

"**Sanctioned Person**" means any Person (a) located in, organized under the laws of, or ordinarily resident in a Sanctioned Jurisdiction; (b) identified on any sanctions-related list maintained by any Compliance Authority; or (c) owned 50% or more, in the aggregate, directly or indirectly by, controlled by, or acting for, on behalf of, or at the direction of, one or more Persons described in clauses (a) or (b) above."

4. The following provisions hereby replace the Section entitled "**Anti-Money Laundering/International Trade Law Compliance"** in each guaranty agreement executed and delivered to the Bank by any Guarantor consenting to this Amendment (or, alternatively, are hereby added to any such guaranty agreement that does not already include a provision entitled "Anti-Money Laundering/International Trade Law Compliance"):

"**<u>Anti-Corruption Laws and International Trade Laws; Anti-Money Laundering Laws; Certain Definitions</u> .**

<u>Representations and Warranties</u>. The Guarantor hereby makes the following representations and warranties, which shall be continuing in nature and remain in full force and effect until the Guaranteed Obligations are paid in full:

The Guarantor, and its directors and officers, and each employee, agent or affiliate acting on behalf of the Guarantor: (a) is not a Sanctioned Person; (b) does not do any business in or with, or derive any of its operating income from direct or indirect investments in or transactions involving, any Sanctioned Jurisdiction or Sanctioned Person; and (c) is not in violation of, and has not, during the past five (5) years, directly or indirectly, taken any act that could cause the Guarantor to be in violation of, applicable International Trade Laws or Anti-Corruption Laws.

The Guarantor has not nor has any of its directors, officers, employees, or to the knowledge of the Guarantor, any agents or affiliates acting on behalf of the Guarantor, during the past five (5) years, received any notice or communication from any Person that alleges, or been involved in an internal investigation involving any allegations relating to, potential violation of any International Trade Laws or Anti-Corruption Laws, or received a request for information from any Official Body regarding International Trade Law matters or Anti-Corruption Law matters. There is no Blocked Property pledged by the Guarantor as Collateral.

<u>Affirmative Covenants</u>. The Guarantor agrees that until all Guaranteed Obligations have been paid in full and any commitments of the Bank to the Borrower have been terminated, the Guarantor shall (a) immediately notify the Bank in writing upon the occurrence of a Reportable Compliance Event; (b) immediately provide substitute Collateral to the Bank if, at any time, any Collateral pledged by the Guarantor becomes Blocked Property; and (c) conduct its business in compliance with applicable Anti-Corruption Laws, Anti-Money Laundering Laws and International Trade Laws and maintain in effect policies and procedures reasonably designed to ensure compliance with all applicable Anti-Corruption Laws, Anti-Money Laundering Laws and International Trade Laws by the Guarantor, and its directors and officers, and any employee, agent or affiliate acting on behalf of the Guarantor in connection with the Guaranteed Obligations.

<u>Negative Covenants</u>. The Guarantor covenants and agrees that until all Guaranteed Obligations have been paid in full and any commitments of the Bank to the Borrower have been terminated, the Guarantor will not, without the Bank's prior written consent, (I) permit its directors and officers, and any employee, agent or affiliate acting on behalf of the Guarantor in connection with the Guaranteed Obligations, nor such Guarantor's subsidiaries to (a) become a Sanctioned Person; (b) directly or indirectly provide, use, or make available the proceeds of any loan or advance from the Bank (i) to fund any activities or business of, with, or for the benefit of any Person that, at the time of such funding or facilitation, is a Sanctioned Person, (ii) to fund or facilitate any activities or business of or in any Sanctioned Jurisdiction, (iii) in any manner that could result in a violation by any Person (including the Bank) of Anti-Corruption Laws, AntiMoney Laundering Laws or International Trade Laws or (iv) in violation of any applicable Law, including, without limitation, any applicable Anti-Corruption Law, Anti-Money Laundering Law or International Trade Law; (c) pay any Guaranteed Obligations with Blocked Property or funds derived from any unlawful activity; or (d) permit any Collateral pledged by the Guarantor to become Blocked Property; nor (II) directly or indirectly provide, use, or make available the proceeds of any loan or advance from the Bank to any subsidiary of the Guarantor that is not party to the loan agreement governing such loan or advance.

<u>Certain Definitions</u>. As used herein:

"**Anti-Corruption Laws**" means (a) the U.S. Foreign Corrupt Practices Act of 1977, as amended, (b) the U.K. Bribery Act 2010, as amended, and (c) any other applicable Law relating to antibribery or anti-corruption in any jurisdiction in which any Loan Party is located or doing business.

"**Anti-Money Laundering Laws**" means (a) the Bank Secrecy Act and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001; (b) the U.K. Proceeds of Crime Act 2002, the Money Laundering Regulations 2017, as amended and the Terrorist Asset-Freezing etc. Act 2010; and (c) any other applicable Law relating to anti-money laundering and countering the financing of terrorism in any jurisdiction in which any Loan Party is located or doing business.

"**Blocked Property**" means any property (a) owned, directly or indirectly, by a Sanctioned Person; (b) due to or from a Sanctioned Person; (c) in which a Sanctioned Person otherwise holds any interest; (d) located in a Sanctioned Jurisdiction; or (e) that otherwise could cause any actual or possible violation by the Bank of any applicable International Trade Law if the Bank were to obtain an encumbrance on, lien on, pledge of, or security interest in such property, or provide services in consideration of such property.

"**Collateral**" means any collateral securing any debt, liabilities, or other obligations of any Loan Party to the Bank.

"**Compliance Authority**" means (a) the United States government or any agency or political subdivision thereof, including, without limitation, the U.S. Department of State, the U.S. Department of Commerce, the U.S. Department of the Treasury and its Office of Foreign Assets Control, and the U.S. Customs and Border Protection agency; (b) the government of Canada or any agency thereof; (c) the European Union or any agency thereof; (d) the government of the United Kingdom or any agency thereof; (e) the United Nations Security Council; and (f) any other Official Body with jurisdiction to administer Anti-Corruption Laws, Anti-Money Laundering Laws or International Trade Laws with respect to the conduct of a Covered Entity.

"**Covered Entity**" means (a) the Borrower and each of the Borrower's subsidiaries; (b) each Guarantor and any pledgor of Collateral; and (c) each Person that directly or indirectly controls a Person described in clause (a) or (b) above.

"**International Trade Laws**" means all Laws relating to economic and financial sanctions, trade embargoes, export controls, customs, and anti-boycott measures.

"**Law**" means any law(s) (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, executive order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award, or any settlement arrangement, by agreement, consent or otherwise, of any Official Body, foreign or domestic.

"**Loan Parties**" means the Borrower and any Guarantors.

"**Official Body**" means the government of the United States of America or of any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

"**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Official Body, or other entity.

"**Reportable Compliance Event**" as used herein means (1) any Covered Entity becomes a Sanctioned Person, or is charged by indictment, criminal complaint, or similar charging instrument, arraigned, custodially detained, penalized or the subject of an assessment for a penalty, by, or enters into a settlement with an Official Body in connection with any AntiCorruption Law, Anti-Money Laundering Law or International Trade Law, or any predicate crime to any Anti-Corruption Law, Anti-Money Laundering Law or International Trade Law, or has knowledge of facts or circumstances to the effect that it is reasonably likely that any aspect of its operations represents a violation of any Anti-Corruption Law, Anti-Money Laundering Law or International Trade Law; (2) any Covered Entity engages in a transaction that has caused or would cause the Bank to be in violation of any International Trade Law or Anti-Corruption Law, including a Covered Entity's use of any proceeds of the Obligations guaranteed hereunder to directly or indirectly fund any activities or business of, with or for the benefit of any Sanctioned Person, or to fund or facilitate any activities or business of or in any Sanctioned Jurisdiction; (3) any Collateral qualifies as Blocked Property, or (4) any Covered Entity otherwise violates, or reasonably believes it will violate, any of the International Trade Law- or Anti-Corruption Lawspecific representations and covenants herein.

"**Sanctioned Jurisdiction**" means, at any time, a country, area, territory, or jurisdiction that is the subject or target of comprehensive U.S. sanctions.

"**Sanctioned Person**" means any Person (a) located in, organized under the laws of, or ordinarily resident in a Sanctioned Jurisdiction; (b) identified on any sanctions-related list maintained by any Compliance Authority; or (c) owned 50% or more, in the aggregate, directly or indirectly by, controlled by, or acting for, on behalf of, or at the direction of, one or more Persons described in clauses (a) or (b) above."

D. **<u>Conditions to Effectiveness of Amendment.</u>** The Bank's willingness to agree to the amendments set forth in this Amendment is subject to the prior satisfaction of the following conditions:

1. Execution by all parties and delivery to the Bank of this Amendment, including the attached Consent and the Restated Loan Agreement.

2. Payment by the Borrower to the Bank of all fees and expenses required by the Bank in connection with this Amendment, including without limitation those fees set forth in the Loan Fee Authorization.

CONSENT OF GUARANTOR

Each of the undersigned guarantors (jointly and severally if more than one, the " **Guarantor**") consents to the provisions of the foregoing Amendment and all prior amendments (if any) and confirms and agrees that: (a) the Guarantor's obligations under its Guaranty and Suretyship Agreement dated as of September 15, 2022 (collectively if more than one, the "**Guaranty**"), relating to the Obligations mentioned in the Amendment, shall be unimpaired by the Amendment; (b) the Guarantor has no defenses, set offs, counterclaims, discounts or charges of any kind against the Bank, its officers, directors, employees, agents or attorneys with respect to the Guaranty; and (c) all of the terms, conditions and covenants in the Guaranty remain unaltered (except as expressly modified by the Amendment) and in full force and effect, are hereby ratified and confirmed, and continue to apply to the Obligations, as modified by the Amendment. The Guarantor certifies that all representations and warranties made in the Guaranty are true and correct.

The Guarantor hereby confirms that any collateral for the Obligations, including liens, security interests, mortgages, and pledges granted by the Guarantor or third parties (if applicable), shall continue unimpaired and in full force and effect, shall cover and secure all of the Guarantor's existing and future Obligations to the Bank, as modified by this Amendment.

By signing below, the Guarantor agrees that this Consent, the Guaranty, the other Loan Documents, any amendments thereto and any other information, notice, signature card, agreement or authorization related thereto (each, a "**Communication**") may, at the Bank's option, be in the form of an electronic record. Any Communication may, at the Bank's option, be signed or executed using electronic signatures. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Bank of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format) for transmission, delivery and/or retention. The Guarantor acknowledges and agrees that the methods for delivering Communications, including notices, under the Guaranty and the other Loan Documents include electronic transmittal to any electronic address provided by any party to the other party from time to time.

By signing below, each Guarantor who is an individual provides written authorization to the Bank or its designee (and any assignee or potential assignee hereof) to obtain the Guarantor's personal credit profile from one or more national credit bureaus. This authorization extends to obtaining a credit profile (i) in considering an application for credit that is evidenced, guaranteed or secured by the Guaranty or documents relating thereto, (ii) assessing creditworthiness and (iii) considering extensions of credit, including on an ongoing basis, as necessary for the purposes of (a) update, renewal or extension of such credit or additional credit, (b) reviewing, administering or collecting the resulting account and (c) reporting on the repayment and satisfaction of such credit obligations. By signing below, such individual further ratifies and confirms his or her prior requests and authorizations with respect to the matters set forth herein. For the avoidance of doubt, this provision does not apply to persons signing below in their capacities as officers or other authorized representatives of entities, organizations or governmental bodies. A photocopy or facsimile copy of this authorization shall be valid as the original. By signature below, each such Guarantor affirms his/her identity as the respective individual(s) identified in the Guaranty.

The Guarantor hereby empowers any attorney of any court of record, after the occurrence of any Event of Default under the Guaranty, to appear for the Guarantor and, with or without complaint filed, confess judgment, or a series of judgments, against the Guarantor in favor of the Bank or any assignee thereof for the entire amount of the Guaranteed Obligations, together with costs of suit and an attorney's commission of the greater of 10% of such principal and interest or $1,000 added as a reasonable attorney's fee, and for doing so, the Guaranty or a copy verified by affidavit shall be a sufficient warrant. The Guarantor hereby forever waives and releases all errors in said proceedings and all rights of appeal and all relief from any and all appraisement, stay or exemption laws of any state now in force or hereafter enacted. The Guarantor acknowledges and agrees that, pursuant to the foregoing power to confess judgment granted to the Bank, the Borrower is voluntarily and knowingly waiving its right to notice and a hearing prior to the entry of a judgment by the Bank against the Guarantor.

No single exercise of the foregoing power to confess judgment, or a series of judgments, shall be deemed to exhaust the power, whether or not any such exercise shall be held by any court to be invalid, voidable, or void, but the power shall continue undiminished and it may be exercised from time to time as often as the Bank shall elect until such time as the Bank shall have received payment in full of the Guaranteed Obligations and costs. Notwithstanding the attorney's commission provided for in the preceding paragraph (which is included in the warrant for purposes of establishing a sum certain), the amount of attorneys' fees that the Bank may recover from the Guarantor shall not exceed the actual attorneys' fees incurred by the Bank.

The Guarantor ratifies and confirms the indemnification, confession of judgment (if applicable) and waiver of jury trial or arbitration provisions contained in the Guaranty, all of which are incorporated herein by reference.

WITNESS the due execution of this Consent as a document under seal as of the date of this Amendment, intending to be legally bound hereby.

VERIFYME, INC.

By: /s/ Adam Stedham (SEAL)

Adam Stedham, Chief Executive Officer

Exhibit 10.3

INDIVIDUAL

EMPLOYMENT AGREEMENT

BETWEEN

TRUST CODES GLOBAL LIMITED

and

PAUL RYAN

INDIVIDUAL EMPLOYMENT AGREEMENT

THIS AGREEMENT is made this day of 1st March **2023**

BETWEEN **TRUST CODES GLOBAL LIMITED** ('the Employer')

AND **PAUL RYAN** ('the Employee')

THE PARTIES AGREE:

1 COMMENCEMENT

1.1 This Agreement comes into force on the date specified in item 1 of Schedule 1 ('the Commencement Date').

1.2 For the purpose of any service based entitlements, the Employee's previous commencement date with Trust Codes Limited will be recognised by the Employer.

2 FIXED TERM EMPLOYMENT

2.1 The terms and conditions of this Agreement will take effect from the Commencement Date and shall continue in force until the expiry date specified in item 2 of Schedule 1 ('the Expiry Date'), unless terminated earlier in accordance with this Agreement.

2.2 The reason for the fixed term nature of the employment is specified in item 3 of Schedule 1.

3 CONDITIONS OF EMPLOYMENT

3.1 If the Employee is required to meet, hold, or satisfy any requirements, licences or tests as a condition of their employment, these are set out in item 4 of Schedule 1.

3.2 If at any time during their employment, the Employee fails (or may fail) to meet, hold, or satisfy any of these requirements, licences or tests, the Employee must immediately inform the Employer and the Employer may take disciplinary action, up to and including dismissal without notice.

4 WARRANTIES

4.1 The Employee warrants that:

(a) all representations, whether oral or written, made by the Employee as to the Employee's qualifications, experience or any other matter are true and complete; and

(b) there are no matters that could materially interfere with the Employee's ability to discharge their obligations under this Agreement, or which may conflict with the interests of the Employer, other than those disclosed in writing to the Employer before the Commencement Date.

4.2 In employing the Employee, the Employer has relied upon the warranties referenced in clause 4.1. The Employee accepts that the Employer may take disciplinary action, up to and including dismissal without notice, against the Employee if any warranty is found to be misleading, incomplete, or incorrect in any way.

5 POSITION

5.1 The Employee is employed to work in the position set out in item 5 of Schedule 1 and will perform the duties and responsibilities set out in Schedule 2 to this Agreement ('the Duties and Responsibilities'), as may be amended by the Employer from time to time, following consultation with the Employee. The Employee agrees to:

(a) perform the Duties and Responsibilities honestly and diligently with all reasonable care and skill, and to the best of their ability;

(b) perform any other duties that may be reasonably required by the Employer from time to time;

(c) obey all reasonable and lawful instructions of the Employer;

(d) at all times act in good faith, loyally and in the best interests of the Employer;

(e) maintain standards of integrity and conduct which are commensurate with the position set out in Schedule 1;

(f) develop and promote the Employer's business in a manner consistent with any business strategy, statement of intent and/or other documents as set from time to time by VerifyMe, Inc.;

(g) report to the President and COO of VerifyMe, Inc. ("the President") as required and keep the President promptly and fully informed of the conduct and development of the Employer's business and of all matters affecting the Employer; and

(h) be familiar and comply (and promote compliance) with any applicable policies of the Employer (as may be introduced, amended, varied, withdrawn from time to time at the Employer's sole discretion, on notice to the Employer);

(i) comply, and promote and ensure compliance, with any statutory or regulatory duties imposed upon the Employer and its workers;

(j) only enter into commitments or incur obligations on behalf of the Employer within their delegated authority as may from time to time be granted to the Employer by the President.

5.2 The Employee will report to the person specified in item 6 of Schedule 1. However, the Employer may change the Employee's reporting arrangements from time to time.

6 LOCATION

6.1 The Employee will primarily work at the location specified in item 7 of Schedule 1.

6.2 The Employee also agrees to work at other locations as required, which may include the Employee's home or any other premises to which the Employer may relocate from time to time, and to undertake any travel required to attend other working locations.

7 HOURS OF WORK

7.1 The Employee's normal hours of work are specified in item 8 of Schedule 1. The Employer may amend these hours of work, following consultation with the Employee.

7.2 The Employee may also be required to work and to make themselves available to work additional hours outside their normal hours of work to perform the Duties and Responsibilities.

7.3 It is agreed that the Employee's remuneration reasonably compensates the Employee for all additional hours worked and all hours the Employee is available for work (except as required by the Holidays Act 2003).

8 REMUNERATION

8.1 The Employee's gross remuneration is specified in item 9 of Schedule 1.

8.2 The remuneration will be paid at regular periods as specified in item 11 of Schedule 1 into a bank account of the Employee's choice. The Employer may amend the pay period from time to time.

8.3 The Employee's performance and remuneration will be reviewed at least annually. Any such review may take into account any factors that the Employer in its sole discretion considers relevant, and will not necessarily result in any adjustment being made to their remuneration.

8.4 The remuneration received by the Employee pursuant to this Agreement will fully compensate the Employee for the performance of the Duties and Responsibilities.

9 KIWISAVER

9.1 If the Employee is a member of KiwiSaver and is not taking a savings suspension:

(a) they must choose the rate of their employee KiwiSaver contributions and the Employer will deduct this from their remuneration and remit it to Inland Revenue in accordance with the KiwiSaver Act 2006; and

(b) in addition to their remuneration, the Employer will pay KiwiSaver compulsory employer contributions to Inland Revenue in accordance with the KiwiSaver Act 2006.

10 REIMBURSEMENT OF EXPENSES

10.1 The Employee will be entitled to reimbursement of actual and reasonable expenses incurred in performing the Duties and Responsibilities in accordance with any applicable Employer policies and upon the production of receipts evidencing the expenses.

11 DEDUCTIONS

11.1 In addition to any deductions required by law, the Employer may make deductions from the Employee's remuneration, including the Employee's final pay and holiday pay, in one or more of the following situations:

(a) for any agreed unpaid leave and any unauthorised absences from work;

(b) any overpayment in respect of any entitlement or payment of any monies or benefit that the Employee is not entitled to;

(c) for the value of any unreturned or damaged property of the Employer;

(d) as provided in this Agreement or by the Employer's policies;

(e) by agreement between the parties;

(f) (on termination of employment) for the value of any annual holidays or sick leave paid in advance of becoming entitled to it; or

(g) where the Employee for any other reason is indebted or liable to the Employer (following consultation with the Employee).

11.2 Except where this Agreement has been terminated or notice of termination has been given, any deductions will be made over a reasonable period considering the financial circumstances of the Employee.

12 OFFICES

12.1 For the purposes of this clause, Offices means any directorships or other similar offices that the Employee is appointed to during or in connection with their employment with the Employer.

12.2 If the Employee is required to hold, or otherwise appointed to, any Offices during or in connection with their employment, it is agreed that this does not constitute a term or condition of employment. It is also agreed that the Remuneration will fully compensate the Employee for the performance of any Offices.

12.3 The Employer may (subject to the terms of any shareholder agreement) require the Employee to resign any Offices:

(a) on termination of the Employee's employment (for whatever reason and howsoever caused); or at

(b) any other time at the Employer's sole discretion.

12.4 If the Employer chooses to exercise its right under clause 12.3(b), it is agreed that this shall have no impact on the continuation of the Employee's employment.

12.5 The Employee irrevocably authorises the Employer in their name and on their behalf to execute all documents and do all things necessary to give effect to this requirement in the event of their failure to resign any Offices within five days of any request or the date of termination of employment (as the case may be).

13 HOLIDAYS AND LEAVE ENTITLEMENTS Annual holidays

13.1 The Employee will be entitled to 4 weeks' paid annual holidays during each 12 months of continuous employment with the Employer, in accordance with the Holidays Act 2003.

13.2 The Employee agrees that the Employer may make payment for annual holidays in the pay that relates to the period during which the annual holidays are taken.

13.3 The parties will endeavour to agree over when annual holidays will be taken. If agreement cannot be reached, the Employer may direct the Employee to take annual holidays on 14 days' notice.

Public Holidays

13.4 The Employee will be entitled to public holidays in accordance with the Holidays Act 2003.

13.5 The Employer may require the Employee to work on any public holiday. If the Employee is required to work on a public holiday, the Employee will be paid for the time worked at the rate of time and a half of the Employee's relevant daily pay or average daily pay. If that day would otherwise be a working day for the Employee, then the Employee will also be entitled to a paid alternative holiday, to be taken in accordance with the Holidays Act 2003.

13.6 The Employee may not work on a public holiday without the prior written authorisation of the Employer.

Sick, bereavement, and family violence leave

13.7 The Employee will be entitled to the following sick, bereavement, and family violence leave:

(a) 10 days' paid sick leave in each year of employment;

(b) 10 days' paid family violence leave in each year of employment; and (c) bereavement leave of:

(i) 3 days in the event of a bereavement under section 69(2)(a) of the Holidays Act 2003; and

(ii) 1 day in the event of the death of any other person if the Employer accepts that the Employee has suffered a bereavement.

13.8 Unused sick leave may be carried over up to a maximum current entitlement of 20 days. Family violence leave is not carried over from year to year.

13.9 No payment will be made for unused sick or family violence leave upon the termination of employment.

13.10 The Employee will ensure that notice is given to the Employer as soon as practicable on or before the first day of sick, bereavement, or family violence leave.

13.11 The Employer may require the Employee to provide proof of the sickness/injury or family violence giving rise to the need to take sick or family violence leave. The Employer will bear the cost of any such proof where required to do so by the Holidays Act 2003.

13.12 Any sick, bereavement, or family violence leave taken above statutory entitlements will be unpaid unless the Employer agrees otherwise at its sole discretion.

13.13 The Employer may, at its own cost, require the Employee to undergo a medical examination by a registered medical practitioner selected by the Employer for purposes relating to the Employee's job performance or fitness for work, any sick leave taken above statutory entitlements, or concerns regarding medical incapacity. The Employer will be entitled to promptly receive a copy of any written reports and/or recommendations made as a result.

Other

13.14 The holidays and leave entitlements provided for by this Agreement are inclusive of, and not in addition to, the entitlements provided for in the Holidays Act 2003.

13.15 Further information about entitlements under the Holidays Act 2003 is available from:

(a) the Ministry of Business, Innovation and Employment on 0800 20 90 20 or www.employment.govt.nz; or

(b) a union.

14 TERMINATION OF EMPLOYMENT Notice

14.1 This Agreement shall expire on the Expiry Date. Notwithstanding this, unless otherwise specified in this Agreement, either party may terminate this Agreement by giving the notice specified in item 12 of Schedule 1.

14.2 Where notice of termination is given by either party under this Agreement for any reason, at any time during the notice period, the Employer may in respect of part or all of the notice period:

(a) make payment of base salary or wages in lieu of notice, bringing the Employee's employment to an end;

(b) place the Employee on garden leave;

(c) assign the Employee alternative duties;

(d) direct the Employee to work at an alternative location to their usual location of work, which may include working from the Employee's home;

(e) any other direction that the Employer considers appropriate; and/or

(f) implement any combination of the above.

14.3 If the Employer exercises its rights under clause 14.2, until the Employee's employment is terminated, the Employee shall remain entitled to all of the remuneration and benefits set out in this Agreement and will continue to be bound by any ongoing duties, such as the duties of good faith, confidentiality, and fidelity.

14.4 Notwithstanding anything to the contrary in this Agreement, the Employer may terminate this Agreement summarily at any time:

(a) for serious misconduct, serious breach of any term of this Agreement or any other conduct that destroys or significantly undermines the trust and confidence the Employer has in the Employee;

(b) if the Employee is adjudicated bankrupt or enters into an alternative procedure to bankruptcy; or

(c) if the Employee is charged with, or convicted of, any criminal offence for which the maximum penalty is a term of imprisonment.

Redundancy

14.5 Should the Employer determine that a redundancy exists, the Employee will be given the notice specified in item 12 of Schedule 1. The Employee will also be entitled to redundancy compensation in the form of a payment equivalent to the amount the Employee would have been paid had their employment with the Employer continued until the Expiry Date.

14.6 Redundancy does not occur (whether technical or otherwise):

(a) by reason of the sale, transfer, lease, amalgamation, or succession of the whole or part of the Employer's business, where the Employee is offered employment by the purchaser, transferee, lessee, amalgamated company or successor or the Employer in the same or similar capacity on the same or similar terms and conditions of employment (or any capacity or terms and conditions which the Employee is willing to accept); or

(b) by reason of an internal restructure resulting in the disestablishment of the Employee's position where the Employee is offered alternative employment by the Employer in the same or similar capacity on the same or similar terms and conditions of employment (or any capacity or terms and conditions which the Employee is willing to accept);.

Employee protection provision

14.7 In the event of a restructuring as defined in the Employment Relations Act 2000, being the sale, transfer or contracting out of all or part of the Employer's business to another entity (the new employer), where the proposed restructuring will mean that the Employee's work is to be performed by another person, the Employer will:

(a) provide the new employer with a copy of this Agreement;

(b) meet with the new employer and taking into account the commercial requirements and obligations of the Employer and the new employer, commence negotiations with the new employer regarding the arrangements that would apply to the Employee in the event that the restructuring takes place. These negotiations shall include determining whether the new employer would offer employment to the Employee and if so whether the offer would be on the same or different terms and conditions of employment; and

(c) advise the Employee of these negotiations with the new employer and what the parties intend to discuss.

14.8 A representative of the Employer shall meet with the new employer's representatives for the purpose of the negotiations referred to above. The Employer will promptly notify the Employee of the outcome of such meeting(s) with the new employer.

14.9 The Employee is not obliged to accept any offer of employment made by the new employer. However, if the Employee rejects an offer of employment by the new employer in the same or similar capacity and on the same or similar conditions of employment, clause 14.5 will apply.

14.10 If the Employee is not offered employment by the new employer or the Employer in the same or similar capacity on the same or similar terms and conditions, and does not accept any other offer of employment by the new employer or the Employer, clause 14.5 will apply. The Employer will inform the Employee of any entitlements as soon as possible, and provide such entitlements as and when appropriate.

Abandonment of Employment

14.11 If the Employee is absent from the workplace for 3 continuous working days without permission or reasonable excuse, the Employee may be deemed to have abandoned their employment. The Employer will make reasonable efforts to contact the Employee during this time.

Termination on Medical Grounds

14.12 If the Employee cannot perform the Duties and Responsibilities for a period of 30 continuous calendar days or a total of 40 working days in any 12 month period (or a different period, should the Employer consider that the circumstances warrant it) due to sickness or injury, the Employer may terminate the Employee's employment by giving the notice specified in item 12 of Schedule 1.

14.13 The Employer may require the Employee to undergo a medical examination in accordance with clause 13.13 and if the Employee refuses to do so, the Employer will have the right to make a decision on the information available.

Irreconcilable Differences

14.14 The parties acknowledge that a close working relationship between the Employee and the President is fundamental to the Employee's continued employment.

14.15 If the Employer considers irreconcilable differences exist between the President and the Employee such that the performance of the Duties and Responsibilities is significantly impeded, the Employer may terminate the Employee's employment by giving the notice specified at clause 14.1 and will also pay the Employee an amount equivalent to six months' base salary. Both parties agree that such payment represents a fair and reasonable payment to compensate you for the loss of employment (and manner of termination) in these circumstances.

14.16 Any payment pursuant to clause 14.15 will be in full and final settlement of all claims (except for outstanding salary or holiday pay) the Employee has or may have in the future against the Employer arising from the employment relationship, including the termination of that relationship.

15 SUSPENSION

15.1 The Employer may suspend the Employee on full pay for the purposes of conducting an investigation into any matter, including, but not limited to, an investigation into alleged misconduct by the Employee.

15.2 If the investigation continues beyond a period of 2 weeks for reasons beyond the Employer's control, the suspension may continue without pay. Reasons beyond the Employer's control may include, but are not limited to, events such as the Employee's unwillingness or inability to participate in an investigation, a police investigation or other third party inquiry, or prosecution.

16 EMPLOYER PROPERTY

16.1 Upon termination of employment, or at any other time upon request of the Employer, the Employee must immediately return any property of the Employer in their possession or control. This includes, but is not limited to, any laptops, mobile phones, computer equipment, access cards, company credit cards, storage devices, recorded information, precedents, software, and other documentation (whether relating to the business of the Employer, any related companies of the Employer, or its clients and customers), as well as any Confidential Information and Intellectual Property belonging to the Employer, or copies thereof.

16.2 This clause applies both during and after the Employee's employment with the Employer.

17 CONFIDENTIALITY

17.1 For the purposes of this Agreement, 'Confidential Information' means all records and information relating to the business of the Employer and/or any related companies of the Employer, whether held in hard copy form, electronically or otherwise, and including (but not limited to):

(a) any information, knowledge, or material which the Employer has designated or may designate as proprietary;

(b) client and customer information;

(c) business and financial information;

(d) technical information, including services, techniques, designs, processes, data, formulae, programming, or research of the Employer; and

(e) know-how, inventions, designs, compositions, improvements, or other matters connected with products or services manufactured, marketed, provided, or obtained by the Employer.

17.2 Other than in the proper performance of the Duties and Responsibilities or their obligations under this Agreement, the Employee must not use, copy, or disclose any Confidential Information, and must use their best endeavours to prevent the disclosure or publication of any Confidential Information.

17.3 Nothing in this Agreement will impose an obligation on the Employee to keep confidential any information which:

(a) at the date of receipt by the Employee is publicly available;

(b) subsequently becomes publicly available without any breach of this Agreement; or

(c) is required to be disclosed by law.

17.4 This clause applies both during and after the Employee's employment with the Employer.

18 EMPLOYEE'S OTHER INTERESTS/ACTIVITIES

18.1 During their employment, the Employee will not, without the Employer's prior written approval:

(a) engage, directly or indirectly, in any employment, business or activity that:

(i) is, or may be, similar to or competitive with the Employer's business;

(ii) conflicts, or may conflict, with the interests of the Employer;

(iii) impairs, or could impair, the Employee's ability to act in the best interests of the Employer and/or to properly perform the Duties and Responsibilities;

(iv) breaches, or may breach, any conflict of interest policy of the Employer; or

(b) hold any office in any other entity or body or have an interest in any other business.

18.2 The Employee acknowledges that the foregoing restrictions are necessary to protect the Employer from the risk of disclosure (including any inadvertent or subconscious disclosures) of Confidential Information, protect the Employer's Intellectual Property, protect the Employer's commercial reputation and/or avoid any situation that may give rise to a conflict of interest that cannot be managed. The parties agree that these are genuine reasons based on reasonable grounds for the restrictions set out above.

18.3 For the avoidance of doubt, nothing in this Agreement will prevent the Employee from having passive investments in property or shares, to the extent that such investments do not in any way reduce (or give the appearance of reducing) the Employee's effectiveness in their performance of the Duties and Responsibilities, or conflict (or give the appearance of conflicting) with their commitment to the Employer.

18.4 Where the Employee is in doubt as to whether an activity or interest requires the Employer's prior written approval in accordance with clause 18.1, the Employee will disclose details of the proposed activity or interest to the Employer for guidance. If the Employer considers an activity or interest constitutes, or may constitute, a conflict of interest it may require the Employee not to hold that interest or be involved in that activity and the Employee will act accordingly.

---

19 INTELLECTUAL PROPERTY

19.1 For the purposes of this Agreement, Intellectual Property includes all ideas, products, improvements, inventions, works of authorship, trade secrets, technology, designs, formulas, processes, techniques, know-how and data, whether or not patentable, produced, developed, or created by the Employee in the course of or in connection with their employment with the Employer.

19.2 All Intellectual Property will be the property of the Employer. The Employer will be entitled to any copyright, other intellectual property rights and merchandising rights arising from that work.

19.3 The Employee agrees to immediately disclose any Intellectual Property to the Employer, and to provide an unconditional and irrevocable consent to the Employer that, to the maximum extent permitted by law, all existing intellectual property rights, title, and interest in such Intellectual Property are vested in the Employer and that any future rights will, upon their creation, vest in the Employer.

19.4 The Employee agrees to execute all documents and do all acts and things required or desirable to secure or transfer ownership in intellectual property rights, title, and interests for the Employer in respect of such Intellectual Property.

19.5 The Employee irrevocably waives any moral rights arising from any Intellectual Property.

19.6 This clause applies both during and after the Employee's employment with the Employer.

20 RESTRAINT OF TRADE

20.1 Following the termination of the Employee's employment for any reason, the Employee will not, without the Employer's express written consent, whether directly or indirectly:

(a) carry on or be connected, engaged, or interested, either alone or with any other person or persons and whether as principal, partner, agent, director, shareholder, franchisee, employee, or otherwise in any business or part of a business operating in New Zealand that competes with the business or part or parts of the business in which the Employee performed work on behalf of the Employer.

(b) whether on the Employee's own account, or as a consultant or contractor to, or a partner, agent, employee, franchisee, shareholder, or director of any company:

(i) induce (or endeavour to induce) any client, customer, or supplier of the Employer to terminate or not renew any business relationship, contract, or arrangement with the Employer, or otherwise interfere with any such business relationship, contract, or arrangement; or

(ii) employ or solicit the services of any person who was employed or engaged by the Employer as at the date of termination of the Employee's employment.

20.2 The restraints in clause 20.1 shall continue for the following periods from the date of termination of the Employee's employment:

(a) in relation to clause 20.1(a), 12 months;

(b) in relation to clause 20.1(b)(i), 12 months; and

(c) in relation to clause 20.1(b)(i), 12 months.

less any applicable period of garden leave served in accordance with clause 14.2(b).

20.3 The Employee acknowledges that their remuneration includes reasonable consideration for entering into this restraint.

20.4 The parties agree that the above restrictions are reasonable in all the circumstances to protect the Employer's legitimate proprietary interests due to the access that the Employee will have to the Employer's confidential information and intellectual property during their employment, and due to the client relationships that the Employee will be expected to build and maintain during their employment.

20.5 This clause continues to apply after the Employee's employment with the Employer.

21 PRIVACY

21.1 The Employer will collect, use, store, and disclose the Employee's personal information in accordance with the following provisions:

(a) The Employer will collect, store, and use personal information for purposes relating to the Employee's employment.

(b) The Employer may disclose personal information to third parties in accordance with the Privacy Act 2020, including, but not limited to, for any purposes relating to the Employee's employment or to facilitate the sale or other disposition of its business. Where any such disclosure is made to an overseas entity, the Employer shall make all reasonable endeavours to ensure that the personal information will be protected in a way that provides comparable safeguards to those contained in the Privacy Act 2020.

21.2 The Employee has the right to access and request correction of any personal information at any time (subject to certain statutory limitations).

22 HEALTH AND SAFETY

22.1 The Employee must:

(a) always act in a manner that complies with all applicable health and safety duties and will not cause (or is not likely to cause) harm to them or any other person in the workplace;

(b) follow any applicable safety procedures and properly use any applicable safety protective equipment; and

(c) immediately report any risk or hazard identified in the workplace to the Employer.

23 EMPLOYMENT RELATIONSHIP PROBLEMS

23.1 For the purposes of this clause, 'employment relationship problem' includes any dispute, personal grievance, or any other problem relating to or arising out of the employment relationship, but does not include any problem with the fixing of new terms and conditions of employment.

23.2 The parties will seek to resolve any employment relationship problem privately in the first instance.

23.3 Where the employment relationship problem amounts to a personal grievance, the grievance must be raised with the Employer within 90 days of the day on which the action allegedly giving rise to the personal grievance occurred or came to the notice of the Employee.

23.4 In the event that an employment relationship problem cannot be resolved privately, either party may make use of one or more of the following services:

(a) mediation through the mediation service administered by the Ministry of Business, Innovation and Employment;

(b) investigation by the Employment Relations Authority; and

(c) proceedings in the Employment Court.

23.5 If an employment relationship problem relates to discrimination or sexual harassment, the Employee has the option to make a complaint under the Human Rights Act 1993 instead of making use of the above services.

24 FORCE MAJEURE

24.1 For the purposes of this clause, a Force Majeure Event includes a pandemic, government order or other law change, natural disaster, workplace fire, flood, or other similar major event beyond the control of one or both of the parties.

24.2 Neither party shall be liable for any failure to perform their obligations under this Agreement in the event of a Force Majeure Event that makes it impossible for that party to perform those obligations and is not the responsibility of that party.

24.3 The party seeking to rely on the existence of a Force Majeure Event not to perform their obligations must immediately advise the other party of this, and must resume performance of their obligations as soon as reasonably possible (should the Agreement still be in force).

25 ENTIRE AGREEMENT

25.1 This Agreement, together with the attached Schedules, constitutes the entire agreement between the parties concerning the Employee's employment and replaces any previous contractual terms, conditions, or understandings between the parties whether written, oral, or resulting from custom or practice.

26 VARIATION

26.1 No variation or waiver of this Agreement or of any of the terms of this Agreement will be binding on the parties unless agreed and recorded in writing.

27 COUNTERPARTS

27.1 This Agreement may be executed in any number of counterparts including electronic copies and scanned copies, and provided both parties have executed one of such counterparts, each counterpart shall be deemed to be executed by both parties.

28 ACCEPTANCE

28.1 The Employee acknowledges that they:

(a) have been informed of their entitlements under the Holidays Act 2003 and where further information regarding such entitlements may be obtained;

(b) understand the provisions and implications of this Agreement;

(c) did not rely on the Employer's skill, care, or advice in entering into this Agreement;

(d) were not induced to enter into this Agreement by oppressive means, undue influence, or duress; and

(e) before this Agreement was entered into, were provided with a copy of the

---

(d) were not induced to enter into this Agreement by oppressive means, undue influence, or duress; and

(e) before this Agreement was entered into, were provided with a copy of the intended agreement, advised that they were entitled to seek independent advice about the intended agreement and given a reasonable opportunity to seek that advice.

Signed for and on behalf of **Trust Codes Global Ltd**

by: **Keith Goldstein**

Director

Date: /s/ Keith Goldstein

Signed by

Paul Ryan /s/ Paul Ryan

Date: ____________________

SCHEDULE 1

ITEM	TITLE	DESCRIPTION
1.	Commencement date	28 February 2023
2.	Expiry date	28 February 2026
3.	Reason for fixed term	The Employee is to be employed on a fixed term to assist with business transition, development and growth following the acquisition of the Trust Codes business by VerifyMe, Inc. as the Employee has key skills that will be needed during this time. The transition and growth phase is expected to take 3 years after the completion date of the acquisition, during which time, the Employee will be needed to help grow the business to its full potential.
4.	Conditions of employment	The Employee has, and will maintain, the right to work in New Zealand
5.	Position	Managing Director
6.	Reporting to	President and COO of VerifyMe, Inc. (or as otherwise advised from time to time)
7.	Location of work	11 Dockside Lane, Auckland Central (or as otherwise advised from time to time)
8.	Normal hours of work	40 hours per week, to be generally worked from Monday to Friday between 8 am and 5.30pm

9.	Renumeration	NZD$160,000 until the first month where Employer breaks even as determined by the Employer, and NZD$320,000 per annum gross thereafter
10.	Other benefits	The Employer will reimburse the Employee for the reasonable costs of their mobile phone plan upon presentation of an appropriate receipt.
11.	Pay period	Fortnightly in arrears
12.	Notice Period	3 month's written notice

SCHEDULE 2

DUTIES AND RESPONSIBILITIES

See attached position description.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Adam Stedham, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 8, 2023

/s/ Adam Stedham
Adam Stedham
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Nancy Meyers, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 8, 2023

/s/ Nancy Meyers
Nancy Meyers
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal 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 VerifyMe, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof, I, Adam Stedham, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Adam Stedham
Adam Stedham
Chief Executive Officer and President
(Principal Executive Officer)
Date: November 8, 2023

In connection with the quarterly report of VerifyMe, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof, I, Nancy Meyers, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Nancy Meyers
Nancy Meyers
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Date: November 8, 2023

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to VerifyMe, Inc. and will be retained by VerifyMe, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.