

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

FORM 10-Q

☒ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2024

OR

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 000-21129

AWARE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Massachusetts

(State or Other Jurisdiction of
Incorporation or Organization)

04-2911026

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

76 Blanchard Road in Burlington, Massachusetts, 01803

(Address of Principal Executive Offices)

(Zip Code)

(781) 276-4000

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value per share	AWRE	The Nasdaq Global Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

The number of shares outstanding of the registrant's common stock as of April 24, 2024 was 21,085,234.

AWARE, INC.
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2024

TABLE OF CONTENTS

	Page
PART I	3
	FINANCIAL INFORMATION
Item 1.	3
	Unaudited Consolidated Financial Statements
	Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023
	Consolidated Statements of Operations and Comprehensive Loss for the Three Months Ended March 31, 2024 and March 31, 2023
	Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2024 and March 31, 2023
	Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2024 and March 31, 2023
	Notes to Consolidated Financial Statements
Item 2.	16
Item 4.	20
	Management's Discussion and Analysis of Financial Condition and Results of Operations
	Controls and Procedures
PART II	21
	OTHER INFORMATION
Item 1.	21
Item 1A.	21
Item 2.	21
Item 6.	23
	Legal Proceedings
	Risk Factors
	Unregistered Sales of Equity Securities and Use of Proceeds
	Exhibits
	Signatures

PART 1. FINANCIAL INFORMATION
ITEM 1: CONSOLIDATED FINANCIAL STATEMENTS
AWARE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	March 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,315	\$ 10,002
Marketable securities	14,214	20,913
Accounts receivable, net	3,756	2,454
Unbilled receivables, net	1,568	1,401
Prepaid expenses and other current assets	986	1,054
Total current assets	34,839	35,824
Property and equipment, net	543	579
Intangible assets, net	2,288	2,391
Goodwill	3,120	3,120
Right of use asset	4,188	4,260
Other long-term assets	122	122
Total assets	<u>\$ 45,100</u>	<u>\$ 46,296</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 791	\$ 280
Accrued expenses	1,031	1,706
Current portion of operating lease liabilities	642	637
Deferred revenue	4,941	4,926
Total current liabilities	7,405	7,549
Long-term deferred revenue	492	611
Long-term operating lease liabilities	3,779	3,838
Total long-term liabilities	4,271	4,449
Stockholders' equity:		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized, none outstanding	—	—
Common stock, \$0.01 par value; 70,000,000 shares authorized; issued and outstanding of 21,085,234 as of March 31, 2024 and 21,017,892 as of December 31, 2023	212	210
Additional paid-in capital	99,567	99,405
Accumulated deficit	(66,494)	(65,512)
Accumulated other comprehensive income	139	195
Total stockholders' equity	33,424	34,298
Total liabilities and stockholders' equity	<u>\$ 45,100</u>	<u>\$ 46,296</u>

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

AWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHNSIVE LOSS
(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2024	2023
Revenue:		
Software licenses	\$ 2,147	\$ 2,105
Software maintenance	2,160	1,835
Services and other	114	365
Total revenue	4,421	4,305
Costs and expenses:		
Cost of services and other revenue	276	298
Research and development	2,182	2,381
Selling and marketing	1,891	1,991
General and administrative	1,334	1,504
Total costs and expenses	5,683	6,174
Operating loss	(1,262)	(1,869)
Interest income	280	301
Net loss	<u>\$ (982)</u>	<u>\$ (1,568)</u>
Net loss per share – basic	\$ (0.05)	\$ (0.07)
Net loss per share – diluted	\$ (0.05)	\$ (0.07)
Weighted-average shares – basic	21,085	21,033
Weighted-average shares – diluted	21,085	21,033
Other comprehensive income, net of tax:		
Unrealized (loss) gain on available-for-sale securities	(56)	147
Comprehensive loss	<u>\$ (1,038)</u>	<u>\$ (1,421)</u>

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

AWARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (982)	\$ (1,568)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	139	149
Stock-based compensation	164	335
Interest on note receivable	—	(31)
Non-cash lease expense	17	173
Changes in assets and liabilities:		
Accounts receivable	(1,302)	417
Unbilled receivables	(167)	(325)
Prepaid expenses and other current assets	(12)	(181)
Accounts payable	511	(15)
Accrued expenses	(675)	(502)
Deferred revenue	(104)	63
Net cash used in operating activities	(2,411)	(1,485)
Cash flows from investing activities:		
Purchases of property and equipment	—	(16)
Purchase of marketable securities	—	(2,752)
Sale of marketable securities	6,724	1,250
Net cash provided by (used in) investing activities	6,724	(1,518)
Cash flows from financing activities:		
Payments made for taxes of employees who surrendered shares related to unrestricted stock	—	(15)
Repurchase of common stock	—	(341)
Net cash used in financing activities	—	(356)
Increase (decrease) in cash and cash equivalents	4,313	(3,359)
Cash and cash equivalents, beginning of period	10,002	11,749
Cash and cash equivalents, end of period	<u>\$ 14,315</u>	<u>\$ 8,390</u>
Supplemental disclosure: Cash paid for income taxes	<u>\$ —</u>	<u>\$ —</u>

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

AWARE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	For the Three Months Ended March 31, 2024						Total Stockholders' Equity
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)		
	Shares	Amount					
Balance at December 31, 2023	21,018	\$ 210	\$ 99,405	\$ (65,512)	\$ 195	\$ 34,298	
Issuance of unrestricted stock	67	2	(2)	—	—	—	
Stock-based compensation expense	—	—	164	—	—	164	
Repurchase of common stock	—	—	—	—	—	—	
Other comprehensive loss					(56)		
Net loss	—	—	—	(982)	—	(982)	
Balance at March 31, 2024	21,085	\$ 212	\$ 99,567	\$ (66,494)	\$ 139	\$ 33,424	

	For the Three Months Ended March 31, 2023						
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	
	Shares	Amount					
Balance at December 31, 2022	21,093	\$ 211	\$ 98,306	\$ (58,198)	\$ (110)	\$ 40,209	
Issuance of unrestricted stock	62	1	(1)	—	—	—	
Shares surrendered by employees to pay taxes related to unrestricted stock	(9)	—	(15)	—	—	(15)	
Repurchase of common stock	(191)	(2)	(339)	—	—	(341)	
Stock-based compensation expense	—	—	335	—	—	335	
Other comprehensive income	—	—	—	—	147	147	
Net loss	—	—	—	(1,568)	—	(1,568)	
Balance at March 31, 2023	20,955	\$ 210	\$ 98,286	\$ (59,766)	\$ 37	\$ 38,767	

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

AWARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 – Description of the Company and Basis of Presentation

Description of the Company

We are a global biometric platform company that uses data science, machine learning, and artificial intelligence to tackle everyday business and identity challenges through biometric solutions. Our portfolio enables government agencies and commercial entities to enroll, identify, authenticate and enable using biometrics, which comprise physiological characteristics, such as fingerprints, faces, irises and voices.

- Enroll:** Register biometric identities into an organization's secure database
- Identify:** Utilize an organization's secure database to accurately identify individuals using biometric data
- Authenticate:** Provide frictionless multi-factor, passwordless access to secured accounts and databases with biometric verification
- Enable:** Manage the lifecycle of secure identities through optimized biometric interchanges

We have been engaged in this business since 1993. Our comprehensive portfolio of biometric solutions is based on innovative, robust products designed explicitly for ease of integration, including customer-managed and integration ready biometric frameworks, platforms, software development kits (SDKs) and services. Principal government applications of biometrics systems include border control, visa applicant screening, law enforcement, national defense, intelligence, secure credentialing, access control, and background checks. Principal commercial applications include mobile enrollment, user authentication, identity proofing, and secure transaction enablement.

Our products span multiple biometric modalities including fingerprint, face, iris and voice, and provide interoperable, standards-compliant, field-proven biometric functionality. Our products are used to capture, verify, format, compress and decompress biometric images as well as aggregate, analyze, process, match and transport those images and templates within biometric systems. For large deployments, we may provide project management and software engineering services. We sell our biometrics software products and services globally through a multifaceted distribution strategy using systems integrators, original equipment manufacturers (OEMs), value added resellers (VARs), partners, and directly to end user customers.

Certain amounts in the consolidated financial statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and therefore do not include all information and notes necessary for a complete presentation of our financial position, results of operations and cash flows, in conformity with generally accepted accounting principles. We filed audited financial statements which included all information and notes necessary for such presentation for the two years ended December 31, 2023 in conjunction with our 2023 Annual Report on Form 10-K. This Form 10-Q should be read in conjunction with that Form 10-K.

The accompanying unaudited consolidated balance sheets, statements of operations and comprehensive loss, statements of cash flows, and statements of stockholders' equity reflect all adjustments (consisting only of normal recurring items) which are, in the opinion of management, necessary for a fair presentation of financial position at March 31, 2024, and of operations and cash flows for the interim periods ended March 31, 2024 and 2023.

The results of operations for the interim periods ended March 31, 2024 are not necessarily indicative of the results to be expected for the year.

Principles of Consolidation

The consolidated financial statements include the accounts of Aware, Inc. and its subsidiaries, Aware Security Corporation and Fortr3ss, Inc. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us 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 amount of revenues and expenses during the reporting period. The most significant estimates included in the financial statements pertain to revenue recognition, reserves for credit losses, valuation of the investment in the note receivable, goodwill and long-lived asset impairment and valuation allowance for deferred income tax assets. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires retrospective disclosure of significant segment expenses and other segment items on an annual and interim basis. Additionally, it requires disclosure of the title and position of the Chief Operating Decision Maker ("CODM"). This ASU will be effective for our fiscal year ending on December 31, 2024 and interim periods beginning in fiscal 2025, with early adoption permitted. We are assessing the impact of the standard on our consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires an annual tabular effective tax rate reconciliation disclosure including information for specified categories and jurisdiction levels, as well as, disclosure of income taxes paid, net of refunds received, disaggregated by federal, state/local, and significant foreign jurisdiction. This ASU will be effective for our fiscal year ending on December 31, 2025, with early adoption permitted. We are assessing the impact of the standard on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments," which amends the guidance on the impairment of financial instruments. The amendments in this update remove the thresholds that entities apply to measure credit losses on financial instruments measured at amortized cost, such as loans, trade receivables, reinsurance recoverables, off-balance-sheet credit exposures, and held-to-maturity securities. Under current U.S. GAAP, entities generally recognize credit losses when it is probable that the loss has been incurred. The guidance removes all current recognition thresholds and introduces the new current expected credit loss ("CECL") model which will require entities to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that an entity expects to collect over the instrument's contractual life. The new CECL model is based upon expected losses rather than incurred losses. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. We adopted this standard as of January 1, 2023 and the adoption did not have a material impact on our consolidated financial statements.

Note 2 – Revenue Recognition

We recognize revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" ("ASC 606"). Under ASC 606, we apply the following five step model:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;

3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) each performance obligation is satisfied.

We categorize revenue as software licenses, software maintenance, or services and other. Revenue from software licenses is recognized at a point in time upon delivery, provided all other revenue recognition criteria are met. We recognize software maintenance revenue over time on a straight-line basis over the contract period. Services revenue is recognized over time as the services are delivered using an input method (i.e., labor hours incurred as a percentage of total labor hours budgeted), provided all other revenue recognition criteria are met. Other revenue includes hardware sales that may be included in a software license, is recognized at a point in time upon delivery provided all other revenue recognition criteria are met.

In addition to selling software licenses, software maintenance and software services on a standalone basis, a significant portion of our contracts include multiple performance obligations, which require an allocation of the transaction price to each distinct performance obligation based on a relative standalone selling price ("SSP") basis. The SSP is the price at which we would sell a promised good or service separately to a customer. The best estimate of SSP is the observable price of a good or service when we sell that good or service separately. A contractually stated price or a list price for a good or service may be the SSP of that good or service. We use a range of selling prices to estimate SSP when we sell each of the goods and services separately and need to determine whether there is a discount that needs to be allocated based on the relative SSP of the various goods and services within multiple performance obligation arrangements. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we typically determine the SSP using an adjusted market assessment approach using information that may include market conditions and other observable inputs. We typically have more than one SSP for individual goods and services due to the stratification of those goods and services by customer. In these instances, we may use information such as the nature of the customer and distribution channel in determining the SSP.

When software licenses and significant customization engineering services are sold together, they are accounted for as a combined performance obligation, as the software licenses are generally highly dependent on, and interrelated with, the associated customization services and therefore are not distinct performance obligations. Revenue for the combined performance obligation is recognized over time as the services are delivered using an input method (i.e., labor hours incurred as a percentage of total labor hours budgeted).

When subscription-based software is sold, the subscription-based software and software maintenance are generally considered distinct performance obligations. The transaction price is allocated to subscription-based software and the software maintenance based on the relative SSP of each performance obligation. We sell subscription-based software for a fixed fee and/or a usage-based royalty fee, sometimes subject to a minimum guarantee. When the amount is in the form of a fixed fee, including the guaranteed minimum in subscription-based royalties, revenue is allocated to the subscription-based software and recognized at a point in time upon delivery, provided all other revenue recognition criteria are met. Revenue allocated to the software maintenance is recognized over the contract term on a straight-line basis. Any subscription-based software fees earned not subject to the guaranteed minimum or earned in excess of the minimum amount are recognized as revenue when the subsequent usage occurs.

Our contracts can include variable fees, such as the option to purchase additional usage of a previously delivered software license. We may also provide pricing concessions to clients, a business practice that also gives rise to variable fees in contracts. We include variable fees in the determination of total transaction price if it is not probable that a future significant reversal of revenue will occur. We use the expected value or most likely value amount, whichever is more appropriate for specific circumstances, to estimate variable consideration, and the estimates are based on the level of historical price concessions offered to clients.

The amount of consideration is not adjusted for a significant financing component if the time between payment and the transfer of the related good or service is expected to be one year or less under the practical expedient in the guidance. Our revenue arrangements are typically accounted for under such expedient, as payment is typically due within 30 to 60 days. During the three month periods ended March 31, 2024 and 2023, none of our contracts contained a significant financing component.

Also, to the extent relevant in future periods with the adaption of our current products to be delivered in a hosted environment with AwareID, we expect to recognize revenue from our SaaS offerings in future periods. SaaS offerings will be recognized ratably over the subscription period. For the three months ended March 31, 2024 and 2023, we generated a de minimis amount of revenue from SaaS contracts.

Disaggregation of Revenues

We organize ourselves into a single segment that reports to the Chief Executive Officer who is our chief operating decision maker. We conduct our operations in the United States and sell our products and services to domestic and international customers. Revenue generated from the following geographic regions was (in thousands):

	Three Months Ended March 31,	
	2024	2023
United States	\$ 1,806	\$ 2,054
United Kingdom	1,186	360
Turkey	604	399
Rest of World	825	1,492
	<u>\$ 4,421</u>	<u>\$ 4,305</u>

Revenue by timing of transfer of goods or services was (in thousands):

	Three Months Ended March 31,	
	2024	2023
Goods or services transferred at a point in time	\$ 1,274	\$ 1,768
Goods or services transferred over time	3,147	2,537
	<u>\$ 4,421</u>	<u>\$ 4,305</u>

Revenue by product group was (in thousands):

	Three Months Ended March 31,	
	2024	2023
License and service contracts	\$ 3,230	\$ 2,856
Subscription-based contracts	1,191	1,449
	<u>\$ 4,421</u>	<u>\$ 4,305</u>

Revenue from subscription-based contracts include revenue that may be recognized at a point in time or over time and be part of a fixed fee and or minimum guarantee as well as fees earned and allocated to software maintenance.

Contract Balances

When the timing of our delivery of goods or services is different from the timing of payments made by customers, we recognize either a contract asset (performance precedes contractual due date) or a contract liability (customer payment precedes performance). Customers that prepay are represented by the deferred revenue below until the performance obligation is satisfied.

Our contract assets consist of unbilled receivables. Our contract liabilities consist of deferred (unearned) revenue, which is generally related to software maintenance contracts. We classify deferred revenue as current or noncurrent based on the timing of when we expect to recognize revenue.

The following tables present changes in our contract assets and liabilities during the three months ended March 31, 2024 and 2023 (in thousands):

	Balance at Beginning of Period	Revenue Recognized In Advance of Billings	Billings	Balance at End of Period
Three months ended March 31, 2024				
Contract assets:				
Unbilled receivables	\$ 1,401	\$ 1,725	\$ (1,558)	\$ 1,568
Three months ended March 31, 2023				
Contract assets:				
Unbilled receivables	\$ 2,929	\$ 2,340	\$ (1,786)	\$ 3,483
	Balance at Beginning of Period	Billings	Revenue Recognized	Balance at End of Period
Three months ended March 31, 2024				
Contract liabilities:				
Deferred revenue	\$ 5,537	\$ 2,056	\$ (2,160)	\$ 5,433
Three months ended March 31, 2023				
Contract liabilities:				
Deferred revenue	\$ 3,733	\$ 1,898	\$ (1,835)	\$ 3,796

Remaining Performance Obligations

Remaining performance obligations represent the transaction prices from contracts for which work has not been performed or goods and services have not been delivered. We expect to recognize revenue on approximately 88% of the remaining deferred revenue over the next 12 months, with the remainder recognized thereafter. As of March 31, 2024, the aggregate amount of the transaction prices allocated to remaining performance obligations for contracts with a duration greater than one year was \$4.0 million.

Note 3 – Fair Value Measurements

The FASB Codification defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under the FASB Codification are: Level 1 – valuations that are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; Level 2 – valuations that are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and Level 3 – valuations that require inputs that are both significant to the fair value measurement and unobservable.

Cash and cash equivalents, which primarily include money market mutual funds were \$14.3 million and \$10.0 million as of March 31, 2024 and December 31, 2023, respectively. Marketable securities, which primarily consists of U.S. Treasuries and previously included corporate bonds, were \$14.2 million and

\$20.9 million as of March 31, 2024 and December 31, 2023, respectively. Our assets and liabilities that are measured at fair value on a recurring basis included the following (in thousands):

Fair Value Measurement at March 31, 2024 Using:				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Money market funds (included in cash and cash equivalents)	\$ 13,303	\$ —	\$ —	\$ 13,303
Marketable securities	14,214	—	—	14,214
Total assets	<u>\$ 27,517</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 27,517</u>

Fair Value Measurement at December 31, 2023 Using:				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Money market funds (included in cash and cash equivalents)	\$ 7,848	\$ —	\$ —	\$ 7,848
Marketable securities	20,913	—	—	20,913
Note receivable	—	—	—	—
Total assets	<u>\$ 28,761</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 28,761</u>

Our investments in marketable securities are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses, net of tax, reported as a component of accumulated other comprehensive loss in stockholders' equity.

Marketable securities by security type consisted of the following (in thousands):

March 31, 2024:				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury notes and bonds	\$ 14,075	\$ 174	\$ (35)	\$ 14,214
Corporate bonds	—	—	—	—
	<u>\$ 14,075</u>	<u>\$ 174</u>	<u>\$ (35)</u>	<u>\$ 14,214</u>

December 31, 2023:				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury notes and bonds	\$ 15,331	\$ 177	\$ (19)	\$ 15,489
Corporate bonds	5,386	39	(1)	5,424
	<u>\$ 20,717</u>	<u>\$ 216</u>	<u>\$ (20)</u>	<u>\$ 20,913</u>

Note 4 – Intangible Assets

Intangible assets and their estimated useful lives as of March 31, 2024 are as follows (dollars in thousands):

	Useful Life	Gross Amount	Accumulated Amortization	Net Book Value
Customer relationships	8 and 10 years	\$ 2,680	\$ (787)	\$ 1,893
Developed technology	5 and 7 years	710	(327)	383
Trade name trademarks	3 and 7 years	30	(18)	12
		<u>\$ 3,420</u>	<u>\$ (1,132)</u>	<u>\$ 2,288</u>

During the three months ended March 31, 2024 and 2023, we recorded \$0.1 million of intangible assets amortization expense. We expect to record amortization expense for the remainder of 2024 and each subsequent year and thereafter as follows (in thousands):

2024	\$ 311
2025	405
2026	356
2027	345
2028	338
Thereafter	533
	<u>\$ 2,288</u>

Note 5 – Computation of Earnings per Share

Basic earnings per share is computed by dividing net income or loss by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net income or loss by the weighted average number of common shares outstanding plus additional common shares that would have been outstanding if dilutive potential common shares had been issued. For the purposes of this calculation, stock options are considered common stock equivalents in periods in which they have a dilutive effect. Stock options that are anti-dilutive are excluded from the calculation. Potential common stock equivalents were not included in the per share calculation for diluted earnings per share where we had a net loss, and the effect of their inclusion would be anti-dilutive.

Note 6 – Equity and Stock-based compensation

The following table presents stock-based compensation expenses included in our unaudited consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended March 31,	
	2024	2023
Cost of services and other revenue	\$ 2	\$ 4
Research and development	10	61
Selling and marketing	16	25
General and administrative	136	245
Stock-based compensation expense	<u>\$ 164</u>	<u>\$ 335</u>

Stock Options - On January 17, 2024, our stockholders approved the Aware Inc. 2023 Equity Incentive Plan (the "2023 Plan"). Following approval of the 2023 Plan, we ceased making awards under our previous 2001 Nonqualified Stock Plan (as amended, the "2001 Plan").

Also on January 17, 2024, our stockholders approved a stock option exchange program (the "Exchange Offer") pursuant to which eligible employees, primarily consisting of our executive officers and senior management, were able to exchange certain stock options (the "Eligible Options") for replacement stock

options with modified terms (the "New Options") as described below. We commenced the Exchange Offer on January 19, 2024, pursuant to the Offer to Exchange certain outstanding stock options for New Options under Aware's 2023 Equity and Incentive Plan.

The Exchange Offer expired on February 20, 2024. Pursuant to the Exchange Offer, nine employees elected to exchange their Eligible Options, and we accepted for cancellation Eligible Options to purchase an aggregate of 2,180,000 shares of common stock, representing approximately 96% of the total shares of common stock underlying the Eligible Options. Following the expiration of the Exchange Offer, on February 20, 2024, we granted New Options to purchase 933,073 shares of Common Stock, pursuant to the terms of the Exchange Offer and our 2023 Equity and Incentive Plan.

The exercise price per share of the New Options granted pursuant to the Exchange Offer was \$2.21 per share. Each New Option will vest and become exercisable, with respect to 50% of the shares of common stock underlying such New Option on the first anniversary of the grant date and, with respect to the remaining shares of common stock underlying such New Option, in twelve equal monthly installments thereafter, subject to the continuous service of the holder. The other terms and conditions of the New Options will be governed by the terms and conditions of the 2023 Plan and the nonstatutory stock option agreements entered into thereunder.

There was no incremental expense for the New Options as calculated using the Black-Scholes option pricing model. The unamortized expense remaining on the Eligible Options, as of the modification date, will be recognized over the new vesting schedule.

We did not grant any other stock options in the three months ended March 31, 2024 or 2023.

Restricted Stock Units - The 2023 Plan permits us to grant restricted stock units to our directors, officers, and employees. Upon vesting, each restricted stock unit entitles the recipient to receive a number of shares of common stock as set forth in the relevant restricted stock unit agreement. Stock-based compensation expense for restricted stock units is determined based on the fair market value of our stock on the date of grant, provided the number of shares in the grant is fixed on the grant date.

We granted 200,814 restricted stock units to directors, officers, and employees during the three months ended March 31, 2024. Of the restricted stock units granted in the three months ended March 31, 2024, 140,814 are scheduled to vest in two equal installments shortly after June 30, 2024 and shortly after December 31, 2024. The remaining 60,000 restricted stock units were scheduled to be issued in 15,000 increments in July 2024 and January 2025, 2026 and 2027 but were forfeited during the three months ended March 31, 2024 as a result of an employee termination.

Unrestricted Stock Grants - Our 2001 Plan, which was replaced by our 2023 Plan, permitted us to grant shares of unrestricted shares of stock to our directors, officers, and employees. Stock-based compensation expense for stock grants is determined based on the fair market value of our stock on the date of grant, provided the number of shares in the grant is fixed on the grant date.

We issued 67,107 shares of unrestricted stock to directors, officers, and employees during the three months ended March 31, 2024 in settlement of previously issued unrestricted stock grants.

We granted 134,211 and issued 61,462 shares of unrestricted stock to directors, officers, and employees during the three months ended March 31, 2023. Of the shares granted in the three months ended March 31, 2023, 67,104 were issued shortly after June 30, 2023 and 67,107 were issued shortly after December 31, 2023.

Share Purchases - On March 1, 2022, our Board of Directors authorized a new stock repurchase program pursuant to which we may purchase up to \$10.0 million of our common stock. On November 30, 2023, our Board of Directors extended the program through December 31, 2025. As of March 31, 2024 we have repurchased \$1.8 million of our common stock pursuant to this program. During the three months ended March 31, 2024 and 2023 we repurchased 35 and 190,908 shares of our common stock, respectively. The program does not obligate us to acquire any particular amount of common stock and the program may be modified or suspended at any time at our Board of Directors' discretion.

Note 7 – Income Taxes

During the three months ended March 31, 2024 and 2023, we recorded no income tax benefits for the net operating losses incurred or for the research and development tax credits generated due to the uncertainty of realizing a benefit from those items.

We have evaluated the positive and negative evidence bearing upon our ability to realize our deferred tax assets, which primarily consist of net operating loss carryforwards and research and development tax credits. We considered the history of cumulative net losses, estimated future taxable income and prudent and feasible tax planning strategies and we have concluded that it is more likely than not that we will not realize the benefits of our deferred tax assets. As a result, as of March 31, 2024 and December 31, 2023, we have a full valuation recorded against our net deferred tax assets.

ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

Some of the information in this Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate," "continue" and similar words. You should read statements that contain these words carefully because they: (1) discuss our future expectations; (2) contain projections of our future operating results or financial condition; or (3) state other "forward-looking" information. However, we may not be able to predict future events accurately. The risk factors listed in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2023, as well as any cautionary language in this Quarterly Report on Form 10-Q, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of any of the events described in these risk factors and elsewhere in this Quarterly Report on Form 10-Q could materially and adversely affect our business.

Summary of Operations

We are primarily engaged in the development and sale of biometrics products, solutions and services. Our software products are used in government and commercial systems and applications and fulfill a broad range of functions critical to secure biometric enrollment, authentication, identification and transactions. Principal government applications of biometrics systems include border control, visa applicant screening, law enforcement, national defense, intelligence, secure credentialing, access control, and background checks. Principal commercial applications include: i) user enrollment and authentication used for login to mobile devices, computers, networks, and software programs; ii) user authentication for financial transactions and purchases (online and in-person); iii) physical access control to buildings; and iv) identity proofing of prospective employees and customers. We sell our biometrics software products and services globally through a multifaceted distribution strategy using systems integrators, OEMs, VARs, partners, and directly to end user customers. We also derive a portion of our revenue from the sale of imaging software licenses to OEMs and systems integrators that incorporate our software into medical imaging products and medical systems.

Summary of Financial Results

We use revenue and results of operations to summarize financial results as we believe these measurements are the most meaningful way to understand our operating performance.

Revenue and operating loss for the three months ended March 31, 2024 were \$4.4 million and \$1.3 million, respectively. These results compared to revenue of \$4.3 million and operating loss of \$1.9 million for the three months ended March 31, 2023. The decrease in operating loss in the current three month period was primarily due to a \$0.5 million decrease in operating expenses resulting from cost-control measures we implemented in the second half of 2023 and the first quarter of 2024, including a reduction of approximately ten percent of our headcount across all departments.

These and all other financial results are discussed in more detail in the results of operations section that follows.

Results of Operations

Software licenses. Software licenses consist of revenue from the sale of biometrics and imaging software products. Sales of software products depend on our ability to win proposals to supply software for biometrics systems projects either directly to end user customers or indirectly through channel partners.

Software license revenue was \$2.1 million in the three months ended March 31, 2024 and 2023. As a percentage of total revenue, software license revenue was 49% in the first quarter of 2024 and 2023.

Software license sales have historically fluctuated, and we expect software license revenue to continue to fluctuate since these sales are based on the timing of projects with our customers and partners.

Our market strategy is to continue to focus on our legacy government biometrics markets and expand into new commercial biometrics markets. We are unable to predict future revenue from commercial markets as these are emerging markets.

Software maintenance. Software maintenance consists of revenue from the sale of software maintenance contracts. Software maintenance contracts entitle customers to receive software support and software updates, if and when they become available, during the term of the contract.

Software maintenance revenue increased 18% from \$1.8 million in the three months ended March 31, 2023 to \$2.2 million in the three months ended March 31, 2024. As a percentage of total revenue, software maintenance revenue increased from 43% in the first quarter of 2023 to 49% in the current year quarter. For the three month period ended March 31, 2024, the increase in software maintenance revenue was primarily due to software maintenance related to our sales of perpetual software licenses.

Services and other revenue. Services revenue consists of fees we charge to perform software development, integration, installation, and customization services. Similar to software license revenue, services revenue depends on our ability to win biometrics systems projects either directly with end user customers or in conjunction with channel partners. Other revenue consists of hardware fees that are included with some of our software licenses.

Services and other revenue decreased 69% from \$0.4 million in the three months ended March 31, 2023 to \$0.1 million in the three months ended March 31, 2024. As a percentage of total revenue, services and other revenue decreased from 8% in the first quarter of 2023 to 3% in the current year quarter.

Services and other revenue fluctuate dependent on when we commence new projects and when we complete projects that were started in previous periods.

Cost of services and other revenue. Cost of services and other revenue consists primarily of engineering costs to perform customer services projects and other third-party costs that are included with some of our software licenses. Such costs primarily include: i) engineering salaries, stock-based compensation, fringe benefits, and facilities; ii) engineering consultants and contractors; iii) software license fees; and iv) hardware costs.

Cost of services and other revenue was \$0.3 million in the three months ended March 31, 2023 and 2024. Cost of services and other revenue as a percentage of services and other revenue increased from 82% in the first quarter of 2023 to 242% in the current year quarter.

The increase in cost of services and other revenue as a percentage of services and other revenue for the three months ended March 31, 2024 was primarily due to additional hours required that exceed our fixed fee services contracts.

Gross margins on services and other revenue are a function of: i) the nature of the projects; ii) the level of engineering difficulty and labor hours required to complete project tasks; and iii) how much we were able to charge. We expect that gross margins on services and other revenue will continue to fluctuate in future periods based on the nature, complexity, and pricing of future projects.

Research and development expense. Research and development expense consists of costs for: i) engineering personnel, including salaries, stock-based compensation, fringe benefits, and facilities; ii) engineering consultants and contractors, and iii) other engineering expenses such as supplies, equipment depreciation, dues and memberships and travel. Engineering costs incurred to develop our technology and products are classified as research and development expense. As described in the cost of services section, engineering costs incurred to provide engineering services for customer projects are classified as cost of services and other revenue, and are not included in research and development expense.

The classification of total engineering costs to research and development expense and cost of services and other revenue was (in thousands):

	Three Months Ended March 31,	
	2024	2023
Research and development expense	\$ 2,182	\$ 2,381
Cost of services and other revenue	276	298
Total engineering costs	<u>\$ 2,458</u>	<u>\$ 2,679</u>

Total engineering costs decreased 8% from \$2.7 million in the three months ended March 31, 2023 to \$2.5 million in the three months ended March 31, 2024. As a percentage of total revenue, total engineering costs decreased from 62% in the three months ended March 31, 2023 to 57% in the same current year quarter in 2024. The spending decrease for the three months ended March 31, 2024 compared to the same prior year period was primarily due to decreased headcount.

We anticipate that we will continue to focus our future research and development activities on enhancing our existing products and developing new products with our growing internal resources.

Selling and marketing expense. Selling and marketing expense primarily consists of costs for: i) sales and marketing personnel, including salaries, sales commissions, stock-based compensation, fringe benefits, travel, and facilities; and ii) advertising and promotion expenses.

Selling and marketing expense decreased 5% from \$2.0 million in the three months ended March 31, 2023 to \$1.9 million in the same three month period of 2024. As a percentage of total revenue, selling and marketing expense decreased from 46% in the first quarter of 2023 to 44% in the corresponding period in 2024.

The spending decrease for the three months ended March 31, 2024, compared to the same prior year period was primarily due to lower marketing spend.

We may expand our sales force and marketing efforts to address additional opportunities.

General and administrative expense. General and administrative expense consists primarily of costs for: i) officers, directors and administrative personnel, including salaries, bonuses, director compensation, stock-based compensation, fringe benefits, and facilities; ii) professional fees, including legal and audit fees; iii) public company expenses; and iv) other administrative expenses, such as insurance costs and bad debt provisions.

General and administrative expense decreased 11% from \$1.5 million for the three months ended March 31, 2023 to \$1.3 million for the three months ended March 31, 2024. As a percentage of total revenue, general and administrative was 35% in the first quarter of 2023 and 31% in the corresponding period of 2024.

The expense decrease for the three months ended March 31, 2024 compared to the same prior year periods was primarily due to the impact of lower headcount. Fluctuations of general and administrative expenses are expected depending on specific activities in a period.

Interest Income. Interest income was \$0.3 million in the three months ended March 31, 2024 and 2023.

Income taxes. We had no income tax expense for the three months ended March 31, 2024 and 2023.

We have evaluated the positive and negative evidence bearing upon our ability to realize our deferred tax assets, which primarily consist of net operating loss carryforwards and research and development tax credits. We considered the history of cumulative net losses, estimated future taxable income and prudent and feasible tax planning strategies and we have concluded that it is more likely than not that we will not realize the benefits of our deferred tax assets. As a result, as of March 31, 2024 and December 31, 2023, we recorded a full valuation allowance against our net deferred tax assets.

Liquidity and Capital Resources

At March 31, 2024, we had cash, cash equivalents and marketable securities of \$28.5 million, which represented a decrease of \$2.4 million from December 31, 2023. The decrease in cash, cash equivalents and marketable securities was primarily due to the impact of \$2.3 million of cash used in operating activities.

While we cannot assure you that we will not require additional financing, or that such financing will be available to us, we believe that our cash and cash equivalents will be sufficient to fund our operations for at least the next twelve months from the date of this filing and to meet our known long-term cash requirements. Whether these resources are adequate to meet our liquidity needs beyond that period will depend on our future growth, operating results, and the investments needed to support our operations. If we require additional capital resources, we may utilize available funds or additional external financing.

To date, inflation has not had a material impact on our financial results. There can be no assurance, however, that inflation will not adversely affect our financial results in the future.

Recent Accounting Pronouncements

See Note 1 to our Consolidated Financial Statements in Item 1.

ITEM 4: Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Principal Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Principal Financial Officer have concluded that these disclosure controls and procedures are effective.

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1: Legal Proceedings

From time to time we are involved in litigation incidental to the conduct of our business. We are not party to any lawsuit or proceeding that, in our opinion, is material to our business.

ITEM 1A: Risk Factors

Investing in our common stock involves a high degree of risk. Our Annual Report on Form 10-K for the year ended December 31, 2023 includes a detailed discussion of our risk factors under the heading “Part I, Item 1A—Risk Factors.” There have been no material changes from such risk factors during the three months ended March 31, 2024. You should consider carefully the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2023, and all other information contained in or incorporated by reference in this Quarterly Report on Form 10-Q before making an investment decision. If any of the risks discussed in the Annual Report on Form 10-K or herein actually occur, they may materially harm our business, financial condition, operating results, cash flows or growth prospects. As a result, the market price of our common stock could decline, and you could lose all or part of your investment. Additional risks and uncertainties that are not yet identified or that we think are immaterial may also materially harm our business, financial condition, operating results, cash flows or growth prospects and could result in a complete loss of your investment.

ITEM 2: Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

On November 30, 2023, we announced that our Board of Directors had approved the extension of our previously announced 2022 Repurchase Plan through December 31, 2025. The 2022 Repurchase Plan authorizes the Company to repurchase of up to \$10,000,000 of our common stock from time to time. During the three months ended March 31, 2024 we purchased 35 shares under this plan.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans of Programs
January 1, to 31, 2024	35	\$ 1.55	35	\$ 8,182,358
February 1 to 29, 2024	-	\$ —	-	\$ 8,182,358
March 1 to 31, 2024	-	\$ —	-	\$ 8,182,358
Total	35	\$ 1.55	35	

As of March 31, 2024 the dollar value of shares that may be purchased under the plan is \$8,182,358.

ITEM 3: Defaults Upon Senior Securities

None.

ITEM 4: Mine Safety Disclosures

None.

ITEM 5: Other Information

During the three months ended March 31, 2024, 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

(a) Exhibits

Exhibit 3.1	<u>Amended and Restated Articles of Organization, as amended (filed as Exhibit 3.1 to the Company's Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).</u>
Exhibit 3.2	<u>Amended and Restated By-Laws (filed as Exhibit 3.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on December 10, 2007 and incorporated herein by reference).</u>
Exhibit 10.1	<u>Aware, Inc. 2023 Equity and Incentive Plan (filed as Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on January 18, 2024 and incorporated herein by reference).</u>
Exhibit 10.2	<u>Form of Incentive Stock Option Agreement Under the Aware, Inc. 2023 Equity and Incentive Plan (filed as Exhibit 10.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on January 18, 2024 and incorporated herein by reference).</u>
Exhibit 10.3	<u>Form of Nonstatutory Stock Option Agreement Under the Aware, Inc. 2023 Equity and Incentive Plan (filed as Exhibit 10.3 to the Company's Form 8-K filed with the Securities and Exchange Commission on January 18, 2024 and incorporated herein by reference).</u>
Exhibit 10.4	<u>Form of Restricted Stock Unit Award Agreement Under the Aware, Inc. 2023 Equity and Incentive Plan (filed as Exhibit 10.4 to the Company's Form 8-K filed with the Securities and Exchange Commission on January 18, 2024 and incorporated herein by reference).</u>
Exhibit 10.5*	<u>Employment Agreement dated as of January 16, 2024 by and between Aware Inc. and Arthur Girdwood-Naddell.</u>
Exhibit 31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
Exhibit 31.2	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
Exhibit 32.1	<u>Certification of Chief Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
Exhibit 101	The following financial statements from Aware, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language), as follows: i) Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023, ii) Consolidated Statements of Operations and Comprehensive Loss for the Three Months Ended March 31, 2024 and 2023 iii) Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2024 and 2023 iv) Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2024 and 2023, and v) Notes to Consolidated Financial Statements.
Exhibit 104	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline Document Set.

* Management contract or compensatory plan

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.

AWARE, INC.

Date: May 3, 2024

By: /s/ Robert A. Eckel
Robert A. Eckel
Chief Executive Officer & President

Date: May 3, 2024

By: /s/ David K. Traverse
David K. Traverse
Principal Financial Officer

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into as of January 16, 2024 (the "Effective Date"), by and between Aware, Inc., a Massachusetts corporation with its principal offices located at 76 Blanchard Road, Burlington, Massachusetts 01803 (together with its successors and assigns, the "Company"), and Arthur Girdwood-Naddell (the "Executive").

WHEREAS, the Company desires to employ the Executive on the terms and conditions of this Agreement; and

WHEREAS, the Executive desires to be an employee of the Company on the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the parties agree as follows:

1. Employment.

1.1. Term. The term of this Agreement shall commence on the Effective Date and shall continue until terminated in accordance with the provisions hereof (the "Term"). The Executive's employment with the Company will be "at will," meaning that the Executive's employment may be terminated by the Company or the Executive at any time and for any reason subject to the terms of this Agreement.

1.2. Position and Duties. During the Term, the Executive shall serve as the Chief Product Officer of the Company, reporting to the Chief Executive Officer of the Company. The Executive shall devote his full working time and efforts to the business and affairs of the Company. Notwithstanding the foregoing, the Executive may serve on boards of directors, with the approval of the Board of Directors of the Company (the "Board"), or engage in religious, charitable or other community activities as long as such services and activities are disclosed to the Board and do not materially interfere with the Executive's performance of his duties to the Company as provided in this Agreement.

2. Compensation and Related Matters.

2.1. Base Salary. During the Term, the Executive's annual base salary will be \$290,000.00. The Executive's base salary shall be reviewed annually by the Board or the Compensation Committee of the Board (the "Compensation Committee"). The base salary in effect at any given time is referred to herein as "Base Salary." The Base Salary shall be payable in a manner that is consistent with the Company's usual payroll practices for executive officers.

2.2. Incentive Compensation. During the Term, the Executive shall be eligible to receive annual cash incentive compensation as determined by the Board or the Compensation Committee from time to time. The Executive's initial target annual incentive compensation shall

be up to fifty percent (50%) of his Base Salary and tied to Company performance targets as determined by the Compensation Committee. To earn incentive compensation, the Executive must be employed by the Company on the day such incentive compensation is paid, unless otherwise determined by the Compensation Committee.

2.3.Expenses. The Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by him during the Term in performing services hereunder, in accordance with the policies and procedures then in effect and established by the Company for its executive officers.

2.4.Equity. Promptly after the Effective Date and subject to approval by the Board or the Compensation Committee, the Company shall issue to the Executive a restricted stock unit award covering 60,000 shares of the Company's common stock with such vesting and other terms as set forth in an award agreement between the Company and the Executive.

2.5.Additional Equity. In addition to the equity granted pursuant to Section 2.4, the Executive shall be eligible to receive such additional equity awards of the Company from time to time as determined by the Compensation Committee or the Board.

2.6.Other Benefits. During the Term, the Executive shall be eligible to participate in or receive benefits under the Company's employee benefit plans in effect from time to time, subject to the terms of such plans. Additionally, during the Term, the Executive shall be eligible to receive such benefits and perquisites as those made available to the other employees of the Company generally and to similarly situated senior executives of the Company.

2.7.Time Off. During the Term, the Executive shall be entitled to paid vacation and sick time in accordance with the Company's policies and procedures. The Executive shall also be entitled to all paid holidays given by the Company to its executive officers.

3.Termination. During the Term, the Executive's employment hereunder may be terminated without any breach of this Agreement under the following circumstances:

3.1.Death. The Executive's employment hereunder shall terminate upon his death.

3.2.Disability. The Company may terminate the Executive's employment if he is disabled and unable to perform the essential functions of the Executive's then existing position or positions under this Agreement with any reasonable accommodation required by law for a period of 180 days (which need not be consecutive) in any 12-month period. If any question shall arise as to whether during any period the Executive is disabled so as to be unable to perform the essential functions of the Executive's then existing position or positions with any reasonable accommodation required by law, the Executive may, and at the request of the Company shall, submit to the Company a certification in reasonable detail by a physician selected by the Company to whom the Executive or the Executive's guardian has no reasonable objection as to whether the Executive is so disabled or how long such disability is expected to continue, and such certification shall for the purposes of this Agreement be conclusive of the

issue. The Executive shall cooperate with any reasonable request of the physician in connection with such certification. If such question shall arise and the Executive shall fail to submit such certification, the Company's determination of such issue shall be binding on the Executive. Nothing in this Section 3.2 shall be construed to waive the Executive's rights, if any, under existing law including, without limitation, the Family and Medical Leave Act of 1993, 29 U.S.C. §2601 et seq. and the Americans with Disabilities Act, 42 U.S.C. §12101 et seq.

3.3.Termination by Company for Cause. The Company may terminate the Executive's employment hereunder for Cause. For purposes of this Agreement, "Cause" shall mean: (a) the Executive has been charged by the United States or a state or political subdivision thereof with conduct which is a felony or which is a misdemeanor involving moral turpitude, deceit, dishonesty or fraud under the laws of the United States or any state or political subdivision thereof; (b) fraud or embezzlement by the Executive with respect to funds of the Company or dishonest, unethical or improper conduct by the Executive that has had, or is reasonably likely to have, a material adverse impact on the reputation for honesty and fair dealing of the Company; (c) the Executive's intentional failure to comply with lawful instructions not inconsistent with this Agreement given to the Executive by the Board, which failure is not cured or corrected within thirty (30) days after the Executive's receipt of written notice from the Company referring to this Section and describing with specificity the instructions with which the Executive did not comply; (d) the Executive's material failure to comply with reasonable policies, directives, standards and regulations adopted by the Company, including, without limitation, the Company's policies regarding insider trading, except any such failure, that, if capable of cure, is remedied by the Executive within thirty (30) days after the Executive's receipt of written notice from the Company referring to this paragraph and describing with specificity the failure of the Executive to comply; and (e) material breach by the Executive of the Employee Non-Disclosure and Intellectual Property Agreement by and between the Executive and the Company (the "Employee Agreement") or any other written agreement between the Executive and the Company.

3.4.Termination Without Cause. The Company may terminate the Executive's employment hereunder at any time without Cause. Any termination by the Company of the Executive's employment under this Agreement which does not constitute a termination for Cause under Section 3.3 and does not result from the death or disability of the Executive under Section 3.1 or 3.2 shall be deemed a termination without Cause.

3.5.Termination by the Executive. The Executive may terminate his employment hereunder at any time for any reason, including but not limited to Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events: (a) a relocation of the Executive's principal workplace to a location more than 50 miles from Burlington, Massachusetts without the Executive's express written consent; (b) a change in title after a Change in Control without the Executive's express written consent, provided that after a Change in Control a change in title shall not be deemed to be "Good Reason" as long as the Executive does not have a material diminution of duties or authority; (c) a material breach of the Agreement by the Company or (d) a material diminution in the Executive's compensation or benefits without the express written consent of the Executive; provided, that no such event or occurrence shall constitute Good Reason unless (x) written notice thereof is given by the Executive to the Company within ninety (90) days of its occurrence, (y) the Company

shall fail to remedy or cure such event or occurrence within thirty (30) days following its receipt of such notice from the Executive (the "Cure Period"), and (z) the Executive shall within sixty (60) days after the expiration of such 30-day period give written notice to the Company of his election to terminate his employment pursuant to this paragraph by reason of such event or occurrence.

3.6. Notice of Termination. Except for termination as specified in Section 3.1, any termination of the Executive's employment by the Company or any such termination by the Executive shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon.

3.7. Date of Termination. "Date of Termination" shall mean: (i) if the Executive's employment is terminated by his death, the date of his death; (ii) if the Executive's employment is terminated on account of disability under Section 3.2 or by the Company for Cause under Section 3.3, the date on which Notice of Termination is given; (iii) if the Executive's employment is terminated by the Company under Section 3.4, the date on which a Notice of Termination is given; (iv) if the Executive's employment is terminated by the Executive under Section 3.5 without Good Reason, thirty (30) days after the date on which a Notice of Termination is given, and (v) if the Executive's employment is terminated by the Executive under Section 3.5 with Good Reason, the date on which a Notice of Termination is given after the end of the Cure Period. Notwithstanding the foregoing, in the event that the Executive gives a Notice of Termination to the Company, the Company may unilaterally accelerate the Date of Termination and such acceleration shall not result in a termination by the Company for purposes of this Agreement.

4. Compensation Upon Termination.

4.1. Termination Generally. If the Executive's employment with the Company is terminated for any reason, the Company shall pay or provide to the Executive (or to his authorized representative or estate) (i) any Base Salary earned through the Date of Termination and unpaid expense reimbursements (subject to, and in accordance with, Section 2.3 of this Agreement); and (ii) any vested benefits the Executive may have under any employee benefit plan of the Company through the Date of Termination, which vested benefits shall be paid and/or provided in accordance with the terms of such employee benefit plans (collectively, the "Accrued Benefit").

4.2. Termination by the Company Without Cause or by the Executive with Good Reason. During the Term, if the Executive's employment is terminated by the Company without Cause as provided in Section 3.4, or the Executive terminates his employment for Good Reason as provided in Section 3.5, then the Company shall pay the Executive his Accrued Benefit. In addition, subject to the Executive signing and delivering to the Company a noncompetition agreement (the "Noncompete Agreement") in substantially the form attached hereto as Exhibit A and a general release (the "Release") substantially in the form attached hereto as Exhibit B, with the Release becoming irrevocable and fully effective and, if applicable, the Executive resigning as a member of the Board of Directors, all within 60 days after the Date of Termination (or such shorter time period provided in the Release):

(i)subject to clause (iv) below, the Company shall pay the Executive an amount equal to the Executive's Base Salary paid during the twelve (12) months immediately preceding the termination of the Executive's employment with the Company, divided by the number of days employed during the twelve (12) months immediately preceding the termination of the Executive's employment with the Company and multiplied by 365 (the "Severance Amount");

(ii)notwithstanding anything to the contrary in any applicable option agreement or stock-based award agreement, all time-based stock options and other time-based stock-based awards held by the Executive in which such stock option or other stock-based award would have vested if the Executive had remained employed for an additional twelve (12) months following the Date of Termination shall vest and become exercisable or nonforfeitable as of the Date of Termination;

(iii)the Company paying the difference between the cost of COBRA continuation coverage, should the Executive elect to receive it, for the Executive and any dependent who received health insurance coverage prior to termination of the Executive's employment with the Company, and any premium contribution amount applicable to the Executive as of such termination, for a period of twelve (12) months following the date of termination of the Executive's employment with the Company ("Continuation Benefits"). Continuation Benefits otherwise receivable by the Executive will be reduced to the extent benefits of the same type are received by or made available to him during the applicable twelve-month period (and any such benefits received by or made available to the Executive shall be reported by him to the Company); and

(iv)the amounts payable under Section 4.2(i) and (iii) shall be paid out in substantially equal installments in accordance with the Company's payroll practice over twelve (12) months commencing within 60 days after the Date of Termination; provided, however, that if the 60-day period begins in one calendar year and ends in a second calendar year, the Severance Amount shall begin to be paid in the second calendar year by the last day of such 60-day period; provided, further, that the initial payment shall include a catch-up payment to cover amounts retroactive to the day immediately following the Date of Termination.

5.Change of Control Payment.

5.1. The provisions of this Section 5 set forth certain terms of an agreement reached between the Executive and the Company regarding the Executive's rights and obligations upon the occurrence of a Change of Control of the Company (as defined below).

These provisions are intended to assure and encourage in advance the Executive's continued attention and dedication to his assigned duties and his objectivity during the pendency and after the occurrence of any such event. These provisions shall apply in lieu of, and expressly supersede, the provisions of Section 4.2 regarding severance pay and benefits upon a termination of employment, if such termination of employment occurs within eighteen (18) months after the occurrence of the first event constituting a Change of Control. These provisions shall terminate and be of no further force or effect beginning eighteen (18) months after the occurrence of a Change of Control.

(a)Change of Control. During the Term, if within eighteen (18) months after a Change of Control, the Executive's employment is terminated by the Company without Cause as provided in Section 3.4 or the Executive terminates his employment for Good Reason as provided in Section 3.5, then, subject to the Executive signing and delivering to the Company the Noncompete Agreement and the Release, and the Release becoming irrevocable and fully effective and, if applicable, the Executive resigning as a member of the Board of Directors, all within 60 days after the Date of Termination (or such shorter time period provided in the Release):

(i)the Company shall pay the Executive a lump sum in cash an amount equal to (A) 1.5 times (B) the Executive's Base Salary paid during the twelve (12) months immediately preceding the termination of the Executive's employment with the Company, divided by the number of days employed during the twelve (12) months immediately preceding the termination of the Executive's employment with the Company and multiplied by 365 (the "Change of Control Severance Amount");

(ii)notwithstanding anything to the contrary in any applicable option agreement or stock-based award agreement, all time-based stock options and other time-based stock-based awards held by the Executive as of the occurrence of such Change of Control shall immediately accelerate and become fully exercisable or nonforfeitable as of the Date of Termination;

(iii)the Company paying the difference between the cost of COBRA continuation coverage, should the Executive elect to receive it, for the Executive and any dependent who received health insurance coverage prior to termination of the Executive's employment with the Company, and any premium contribution amount applicable to the Executive as of such termination, for a period of eighteen (18) months following the date of termination of the Executive's employment with the Company ("Change of Control Continuation Benefits"). Change of Control Continuation Benefits otherwise receivable by the Executive will be reduced to the extent benefits of the same type are received by or made available to him during the applicable eighteen-month period (and any such benefits

received by or made available to the Executive shall be reported by him to the Company); and

(iv) the amounts payable under Section 5.1(a)(i) and 5.1(a)(iii) shall be paid or commence to be paid within 60 days after the Date of Termination; provided, however, that if the 60-day period begins in one calendar year and ends in a second calendar year, the Change of Control Severance Amount shall be paid in the second calendar year by the last day of such 60-day period.

5.2. Definition of Change of Control. For purposes of this Agreement, a "Change of Control" shall mean the occurrence of any of the following: (i) the acquisition by an individual, entity, group or any other person of beneficial ownership of more than fifty percent (50%) or more of either (x) the then-outstanding shares of common stock of the Company or (y) the combined voting power of the election of directors for the Company; and/or (ii) the sale of substantially all of the Company's assets or a merger or sale of stock wherein the holders of the Company's capital stock immediately prior to such sale do not hold at least a majority of the outstanding capital stock of the Company or its successor immediately following such sale; and/or (iii) the Company's shareholders approve and complete any plan or proposal for the liquidation or dissolution of the Company.

6. Other Provisions.

6.1. Amounts Payable Less Withholding Taxes. The amounts payable by the Company hereunder shall be less any federal, state or local withholding taxes and social security.

6.2. Parachute Payments. It is the intention of the parties that no payment or benefit arising out of or in connection with a Change of Control that is made or provided, or to be made or provided, by the Company to the Executive, whether pursuant to the terms of this Agreement or any other plan, agreement, or arrangement (any such payment or benefit, a "Parachute Payment") shall be non-deductible to the Company by reason of the operation of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") relating to parachute payments. Accordingly, and notwithstanding any other provision of this Agreement or any such agreement or plan, if by reason of the operation of said Section 280G, any such Parachute Payments exceed the amount which can be deducted by the Company, such Parachute Payments shall be reduced to the maximum amount which can be deducted by the Company. To the extent that Parachute Payments exceeding such maximum deductible amount have been made to the Executive or his beneficiary, he or his beneficiary shall refund such excess payments to the Company with interest thereon at the Applicable Federal Rate determined under Section 1274(d) of the Code, compounded annually, or at such other rate as may be required in order that no such payments shall be non-deductible to the Company by reason of the operation of said Section 280G. Any reduction in Parachute Payments required to be made pursuant to this Section 6.2 shall be made first with respect to Parachute Payments payable in cash before being made in respect to any Parachute Payments to be provided in the form of benefits or equity award acceleration, and in the form of benefits before being made with respect to equity award acceleration, and in any case, shall be made with respect to such Parachute

Payments in inverse order of the scheduled dates or times for the payment or provision of such Parachute Payments.

6.3. Section 409A. It is intended that this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code and the Treasury Regulations and IRS guidance thereunder (collectively referred to as "Section 409A"). Notwithstanding anything to the contrary in this Agreement, this Agreement shall, to the maximum extent possible, be administered, interpreted, and construed in a manner consistent with Section 409A. If and to the extent required to comply with Section 409A, no payment or benefit required to be paid under this Agreement on account of termination of the Executive's employment shall be made unless and until the Executive has a "separation from service" within the meaning of Section 409A. In the case of any amounts payable under this Agreement that may be treated as payable in the form of "a series of installment payments," as defined in Treasury Regulation Section 1.409A-2(b)(2)(iii), the right to receive such payments shall be treated as a right to receive a series of separate payments for purposes of such Treasury Regulation. If the Executive is a "specified employee" as determined pursuant to Section 409A as of the date of termination of employment and if any payment or benefit provided for in this Agreement or otherwise both (x) constitutes a "deferral of compensation" within the meaning of Section 409A and (y) cannot be paid or provided in the manner otherwise provided without subjecting the Executive to additional tax, interest, or penalties under Section 409A, then any such payment or benefit shall be delayed until the earlier of (i) the date which is six (6) months after the Executive's "separation from service" within the meaning of Section 409A for any reason other than death, or (ii) the date of the Executive's death. Any payment or benefit otherwise payable or to be provided to the Executive upon or in the six (6) month period following "separation from service" that is not so paid or provided by reason of this Section 6.3 shall be accumulated and paid or provided to the Executive in a single lump sum, as soon as practicable (and in all events within 15 days) after the date that is six (6) months after the Executive's "separation from service" (or, if earlier, as soon as practicable, and in all events within fifteen (15) days, after the date of the Executive's death). All subsequent payments or benefits, if any, shall be payable or provided in accordance with the payment schedule applicable to each payment or benefit. It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder shall be subject to the additional tax imposed under Section 409A, and any ambiguities herein shall be interpreted to so comply. The Company and the Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions that are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to the Executive under Section 409A.

6.4. Post-termination Determination of Cause.

(a) If following termination of the Executive's employment other than for Cause there shall occur any event that would otherwise constitute Cause for termination of such employment, the Executive will repay any Severance Amount, Change of Control Severance Amount, Continuation Benefits and Change of Control Continuation Benefits previously paid, and his right to receive any future Severance Amount, Change of Control Severance Amount, Continuation Benefits and Change of Control Continuation Benefits will terminate and any

Non-Compete and any Release provided by Executive to Company as part of his termination of employment shall be null and void and treated as though never effective.

(b) If the employment of the Executive is terminated by the Company for Cause pursuant to Section 3.3(a) above, and if the charges of criminal conduct are subsequently dismissed, or the Executive is acquitted of such charges, then in such event the Executive's termination shall be deemed to have been made without Cause, and in such event the Company shall pay to the Executive the amounts he would have been entitled had the Company terminated his employment without Cause.

6.5. Employee Agreement. The Executive acknowledges and agrees that the Employee Agreement is a binding and enforceable obligation of the Executive that inures to the benefit of the Company's successors and assigns, including any corporation with which or into which the Company may be merged or which may succeed to its assets or business in a Change of Control.

6.6. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed given when delivered personally (including by overnight courier) or, if sent by regular mail, three days after the date of deposit in the United States mails addressed as follows:

(a) if to the Company, to:

Aware, Inc.
76 Blanchard Road
Burlington, Massachusetts 01803
Attention: Chair of the Compensation Committee

(b) if to the Executive, to:

Arthur Girdwood-Naddell
"Omitted"

or to such other address as either party may from time to time provide to the other by notice as provided in this section.

6.7. Entire Agreement. This Agreement, the Employee Agreement, the Indemnification Agreement and the Unrestricted Stock Award Agreement constitute the entire agreement and understanding between the Company and the Executive, and supersede all prior negotiations, agreements, arrangements, and understandings, both written or oral, between the Company and the Executive with respect to the subject matter of this Agreement. In the event of a discrepancy between any of these documents, the Employment Agreement will control unless specifically provided for in any provision of the Indemnification Agreement or Unrestricted Stock Award Agreement.

6.8. Waiver or Amendment.

(a) The waiver by either party of a breach or violation of any term or provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach or violation of any provision of this Agreement or of any other right or remedy.

(b) No provision in this Agreement may be amended unless such amendment is set forth in a writing that specifically refers to this Agreement and is signed by the Executive and the Company.

6.9. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts without regard to its conflict of laws rules.

6.10. Successors; Assignment. The Company shall require any successor via a Change of Control (whether direct or indirect, by purchase, merger, consolidation or otherwise) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. This Agreement shall inure to the benefit of, and shall be binding upon, each of the Company and the Executive and their respective heirs, personal representatives, legal representatives, successors and assigns.

6.11. Severability. The invalidity of any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall not affect the enforceability of the remaining portions of this Agreement or any part hereof. If any part of this Agreement shall be declared invalid by a court of competent jurisdiction, this Agreement shall be construed as if such invalid part had not been inserted.

6.12. Section Headings. The section and subsection headings contained in this Agreement are for reference purposes only and shall not affect any way the meaning, construction or interpretation of any or all of the provisions of this Agreement.

6.13. Counterparts. This Agreement may be executed in any number of counterparts and by the separate parties hereto in separate counterparts, each of which shall be deemed to constitute an original and all of which shall be deemed to be one and the same instrument.

6.14. Authority to Execute. The undersigned representative of the Company represents and warrants that he has full power and authority to enter into this Agreement on behalf of the Company, and that the execution, delivery and performance of this Agreement have been authorized by the Board. Upon the Executive's acceptance of this Agreement by signing and returning it to the Company, this Agreement will become binding upon the Executive and the Company.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

EXECUTIVE

Arthur Girdwood-Naddell

AWARE, INC.

By: _____
Title:

NONCOMPETE AGREEMENT

This NONCOMPETE AGREEMENT (the "AGREEMENT"), made as of the [] day of [], 202_, is entered into between Aware, Inc., a Massachusetts corporation with offices at 76 Blanchard Road, Burlington, Massachusetts 01803 (the "Company") and Arthur Girdwood-Naddell an individual residing at is "Omitted" (the "Employee").

RECITALS:

A. The Company is willing to grant certain severance and other benefits to the Employee, under the circumstances specified in that certain Employment Agreement dated [], 202_ between the Company and the Employee (the "Employment Agreement"); and

B. As set forth in the Employment Agreement, the Employee's execution of this Agreement is a condition to his receipt of such benefits;

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. NON-COMPETITION COVENANTS.

(a) NON-COMPETITION COVENANTS. The Employee agrees that he will not, during the Non-Competition Period (as hereinafter defined), directly or indirectly:

(i) as owner, employee, officer, director, partner, sales representative, agent, stockholder, capital investor, lessor, consultant or advisor, either alone or in association with others (other than as a holder of not more than one percent of the outstanding shares of any series or class of securities of a company, which securities of such class or series are publicly traded in the securities markets), develop, design, produce, market, sell or render (or assist any other person or entity in developing, designing, producing, marketing, selling or rendering), products or services which are competitive with the Business of the Company (as hereinafter defined) anywhere in the world;

(ii) solicit, divert or take away, or attempt to solicit, divert or take away, the business or patronage of any of the customers, prospective customers or referral sources of the Company with whom the Company has had a relationship during the period of the Employee's employment by the Company; or

(iii) recruit, solicit or hire any employee of the Company, or induce or attempt to induce any employee of the Company to terminate his or her employment with, or otherwise cease his or her relationship with, the Company.

(b)DEFINITIONS. For the purposes of this Section 1, the following terms shall have the respective meanings indicated below:

(i)"NON-COMPETITION PERIOD" shall mean the period during which the Employee is employed by the Company and the one-year period commencing on the last day of the Employee's employment by the Company, regardless of whether the Employee's termination was at the election of the Company, with or without cause, or at the election of the Employee, with or without good reason.

"BUSINESS OF THE COMPANY" shall mean the development, manufacture, marketing and/or distribution of (A) biometric technologies or wavelet compression technologies or (B) any other products or services which the Company sells, has under development or which are subject to active planning at any time during the term of the Employee's employment with the Company.

2.INJUNCTIVE AND OTHER EQUITABLE RELIEF.

(a)The Employee consents and agrees that if he violates any of the provisions of Section 1 hereof, the Company shall be entitled, in addition to any other remedies it may have at law, to the remedies of injunction, specific performance and other equitable relief for a breach by the Employee of Section 1 of this Agreement. This Section 2(a) shall not, however, be construed as a waiver of any of the rights which the Company may have for damages or otherwise.

(b)Any waiver by the Company of a breach of any provision of Section 1 hereof shall not operate or be construed as a waiver of any subsequent breach of such provision or any other provision hereof.

(c)The Employee agrees that each provision of Section 1 shall be treated as a separate and independent clause, and the unenforceability of any one clause shall in no way impair the enforceability of the other clauses herein. Moreover, if one or more of the provisions contained in Section 1 shall for any reason be held to be excessively broad as to scope, activity or subject so as to be unenforceable at law, such provision or provisions shall be construed by the appropriate judicial body by limiting and reducing it or them so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear.

(d)If the Company shall prevail in any action, suit or other proceeding (whether at law, in equity or otherwise) instituted concerning or arising out of this Agreement, it shall recover, in addition to any other remedy granted to it therein, all its costs and reasonable attorneys' fees incurred in connection with the prosecution or defense of such action, suit or other proceeding.

3.OTHER AGREEMENTS.

The Employee represents and warrants that his performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any other agreement by which he is bound.

4. NOT A CONTRACT OF EMPLOYMENT.

The Employee understands that this Agreement does not constitute a contract of employment or give the Employee rights to employment or continued employment by the Company.

5. ENTIRE AGREEMENT.

This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement. In particular, this Agreement supersedes Section 10 of the Employee Agreement, but the rest of the Employee Agreement remains in full force and effect.

6. AMENDMENT.

This Agreement may be amended or modified only by a written instrument executed by both the Company and the Employee.

7. GOVERNING LAW.

This Agreement shall be construed, interpreted and enforced in accordance with the laws of The Commonwealth of Massachusetts, without regard to its choice of law principles. The Employee hereby consents to (a) service of process, and to be sued, in The Commonwealth of Massachusetts and (b) to the jurisdiction of the courts of The Commonwealth of Massachusetts and the United States District Court for the District of Massachusetts, as well as to the jurisdiction of all courts to which an appeal may be taken from such courts, for the purpose of any suit, action or other proceeding arising out of any of Employee's obligations hereunder, and Employee expressly waives any and all objections he or she may have as to venue in any such courts.

8. SUCCESSORS AND ASSIGNS

. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Company may be merged or which may succeed to its assets or business, provided, however, that the obligations of the Employee are personal and shall not be assigned by him.

9. MISCELLANEOUS.

(a) No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(b) The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(c) This Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision hereof shall be prohibited or invalid under any such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating or nullifying the remainder of such provision or any other provisions of this Agreement. If any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, such provisions shall be construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by applicable law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year set forth above.

AWARE, INC.

By: ____
Name:
Title:

EMPLOYEE

NAME

Exhibit B

GENERAL RELEASE AND WAIVER OF ALL CLAIMS
(INCLUDING OLDER WORKER BENEFITS PROTECTION ACT CLAIMS)

For good and valuable consideration, including without limitation the compensation and benefits set forth in the Employment Agreement dated [], 202_ (the "Agreement") between the undersigned and Aware, Inc. (the "Company"), to which this General Release and Waiver of All Claims is attached, the terms of which Agreement shall survive this General Release and Waiver of Claims, the undersigned, on behalf of and for himself or herself and his or her heirs, administrators, executors, representatives, estates, attorneys, insurers, successors and assigns (hereafter referred to separately and collectively as the "Releasor"), hereby voluntarily releases and forever discharges the Company, and its subsidiaries (direct and indirect), affiliates, related companies, divisions, predecessor and successor companies, and each of its and their present, former, and future shareholders, officers, directors, employees, agents, representatives, attorneys, insurers and assigns (collectively as "Releasees"), jointly and individually, from any and all actions, causes of action, claims, suits, charges, complaints, contracts, covenants, agreements, promises, debts, accounts, damages, losses, sums of money, obligations, demands, and judgments all of any kind whatsoever, known or unknown, at law or in equity, in tort, contract, by statute, or on any other basis, for contractual, compensatory, punitive or other damages, expenses (including attorney's fees and cost), reimbursements, or costs of any kind, which the undersigned employee ever had, now has, or may have, from the beginning of the world to the date of this Release, known or unknown, in law or equity, whether statutory or common law, whether federal, state, local or otherwise, including but not limited to any and all claims arising out of or in any way related to the undersigned's engagement by the Company (including the hiring or termination of that engagement), or any related matters including, but not limited to claims, if any arising under the Age Discrimination in Employment Act of 1967, as amended by the Older Worker Benefits Protection Act; the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991, as amended; the Family and Medical Leave Act of 1993, as amended; the Immigration Reform and Control Act of 1986; the Americans with Disabilities Act of 1990, as amended; the Employee Retirement Income Security Act (ERISA), as amended; the Massachusetts laws against discrimination and harassment (including Mass. Gen. L. c. 151B), protecting equal rights or concerning the payment of wages (including Mass. Gen. L. c. 149, section 148 et seq. and Mass. Gen. L. c. 151, section 1A, et seq.), and federal, state or local common law, laws, statutes, ordinances or regulations. Notwithstanding the foregoing, nothing contained in this General Release and Waiver of Claims shall be construed to bar any claim by the undersigned to enforce the terms of the Agreement.

Releasor represents and acknowledges the following:

- (a) that Releasor understands the various claims Releasor could have asserted under federal or state law, including but not limited to the Age Discrimination in Employment Act, Mass. Gen. L. c. 151B, the Massachusetts Wage Act and Massachusetts overtime pay law and other similar laws;

(b)that Releasor has read this General Release carefully and understands all of its provisions;

(c)that Releasor understands that Releasor has the right to and is advised to consult an attorney concerning this General Release and in particular the waiver of rights Releasor might have under the laws described herein and that to the extent, if any, that Releasor desired, Releasor availed himself or herself of this right;

(d)that Releasor has been provided at least twenty-one (21) days to consider whether to sign this General Release and that to the extent Releasor has signed this General Release before the expiration of such twenty-one (21) day period Releasor has done so knowingly and willingly;

(e)that Releasor enters into this General Release and waives any claims knowingly and willingly; and

(f)that this General Release shall become effective seven (7) business days after it is signed. Releasor may revoke this General Release within seven (7) business days after it is signed by delivering a written notice of rescission to Chair, Compensation Committee of the Board of Directors at Aware, Inc., 76 Blanchard Road, Burlington Massachusetts 01830. To be effective, the notice of rescission must be hand delivered, or postmarked within the seven (7) business day period and sent by certified mail, return receipt requested, to the referenced address.

Signed and sealed this ____ day of _____, 20 ____.

Signed: _____

Name (print): _____

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Robert A. Eckel, Chief Executive Officer & President of Aware, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aware, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer 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 we 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly 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 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 registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal 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: May 3, 2024

/s/ Robert A. Eckel
Robert A. Eckel
Chief Executive Officer & President

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, David K Traverse, Principal Financial Officer of Aware, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aware, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer 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 we 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly 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 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 registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal 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: May 3, 2024

/s/ David K. Traverse
David K. Traverse
Principal Financial Officer

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report on Form 10-Q of Aware, Inc. (the "Company") for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned Chief Executive Officer and Principal Financial Officer of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Robert A. Eckel
Chief Executive Officer & President

/s/ David K Traverse
Principal Financial Officer

Date: May 3, 2024

Date: May 3, 2024

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Form 10-Q or as a separate disclosure document of the Company or the certifying officers.
