
**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 June 30, 2023

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 No.: 001-15465

Intellicheck, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

11-3234779

(State or Other Jurisdiction of
Incorporation or Organization)

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

200 Broadhollow Road, Suite 207, Melville, NY 11747

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (516) 992-1900

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, \$0.001 par value per share	IDN	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act 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 and posted 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 and post such files.) Yes ☒ No ☐

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

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

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

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

As of August 14, 2023, there were 19,297,523 shares of Common Stock, \$0.001 par value, outstanding.

INTELLICHECK, INC.

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Exhibits

10.1	Separation Agreement dated as of May 25, 2023 by and between the Registrant and Garrett Gafke
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32	U.S.C. Section 1350 Certifications
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

INTELLICHECK, INC. **CONDENSED BALANCE SHEETS** (in thousands except share amounts)

	June 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,185	\$ 5,196
Short-term investments	4,882	4,880
Accounts receivable, net of allowance of \$ 36 and \$ 20 at June 30, 2023 and December 31, 2022, respectively	2,754	2,637
Other current assets	786	608
Total current assets	12,607	13,321
PROPERTY AND EQUIPMENT, NET	694	749
GOODWILL	8,102	8,102
INTANGIBLE ASSETS, NET	220	273
OTHER ASSETS	9	8
Total assets	\$ 21,632	\$ 22,453
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 679	\$ 358
Accrued expenses	1,980	2,319
Income taxes payable	17	90
Equity awards liability	79	54
Liability for shares withheld	221	221
Deferred revenue, current portion	1,319	906
Total current liabilities	4,295	3,948
OTHER LIABILITIES:		
Deferred revenue, long-term portion	—	1
Total liabilities	4,295	3,949
COMMITMENTS AND CONTINGENCIES (Note 10)		
STOCKHOLDERS' EQUITY:		
Preferred stock - \$ 0.01 par value; 30,000 shares authorized; Series A Convertible preferred stock, zero shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	—	—
Common stock - \$.001 par value; 40,000,000 shares authorized; 19,251,920 and 18,957,366 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	19	19
Additional paid-in capital	150,159	149,233
Accumulated deficit	(132,841)	(130,748)
Total stockholders' equity	17,337	18,504
Total liabilities and stockholders' equity	\$ 21,632	\$ 22,453

See accompanying notes to unaudited condensed financial statements.

INTELLICHECK, INC.

CONDENSED STATEMENTS OF OPERATIONS
(In thousands except shares and per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
REVENUES	\$ 4,716	\$ 4,008	\$ 8,970	\$ 7,403
COST OF REVENUES	(352)	(364)	(684)	(680)
Gross profit	4,364	3,644	8,286	6,723
OPERATING EXPENSES				
Selling, general and administrative	3,861	3,124	7,784	6,068
Research and development	1,276	1,618	2,584	3,221
Total operating expenses	5,137	4,742	10,368	9,289
Loss from operations	(773)	(1,098)	(2,082)	(2,566)
OTHER INCOME				
Interest and other income	—	—	1	—
Total other income	—	—	1	—
Net loss before provision for income taxes	(773)	(1,098)	(2,081)	(2,566)
Provision for income taxes	4	—	12	—
Net loss	\$ (777)	\$ (1,098)	\$ (2,093)	\$ (2,566)
PER SHARE INFORMATION				
Loss per common share -				
Basic/Diluted	\$ (0.04)	\$ (0.06)	\$ (0.11)	\$ (0.14)
Weighted average common shares used in computing per share amounts -				
Basic/Diluted	19,120,327	18,812,418	19,168,534	18,736,736

See accompanying notes to unaudited condensed financial statements.

INTELLICHECK, INC.

CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands except number of shares)
(Unaudited)

	Three months ended June 30, 2023						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity		
	Shares	Amount					
BALANCE, March 31, 2023	19,215,863	\$ 19	\$ 149,875	\$ (132,064)	\$ 17,830		
Stock-based compensation	—	—	338	—	338		
Issuance of shares for vested restricted stock grants	60,777	—	—	—	—		
Shares forfeited in exchange for withholding taxes	(24,720)	—	(54)	—	(54)		
Net loss	—	—	—	(777)	(777)		
BALANCE, June 30, 2023	19,251,920	\$ 19	\$ 150,159	\$ (132,841)	\$ 17,337		

	Three months ended June 30, 2022					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	
	Shares	Amount				
BALANCE, March 31, 2022	18,674,980	\$ 19	\$ 147,284	\$ (128,365)	\$ 18,938	
Stock-based compensation	—	—	520	—	520	
Issuance of shares for vested restricted stock grants	200,600	—	—	—	—	
Net loss	—	—	—	(1,098)	(1,098)	
BALANCE, June 30, 2022	18,875,580	\$ 19	\$ 147,804	\$ (129,463)	\$ 18,360	

See accompanying notes to unaudited condensed financial statements.

INTELLICHECK, INC.

CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands except number of shares)

(Unaudited)

Six months ended June 30, 2023

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
BALANCE, December 31, 2022	18,957,366	\$ 19	\$ 149,233	\$ (130,748)	\$ 18,504
Stock-based compensation	—	—	980	—	980
Issuance of common stock for vested restricted stock units and earned performance stock units	319,274	—	—	—	—
Shares forfeited in exchange for withholding taxes	(24,720)	—	(54)	—	(54)
Net loss	—	—	—	(2,093)	(2,093)
BALANCE, June 30, 2023	19,251,920	\$ 19	\$ 150,159	\$ (132,841)	\$ 17,337

Six months ended June 30, 2022

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
BALANCE, December 31, 2021	18,660,369	\$ 19	\$ 146,455	\$ (126,897)	\$ 19,577
Stock-based compensation	—	—	1,349	—	1,349
Issuance of shares for vested restricted stock grants	215,211	—	—	—	—
Net loss	—	—	—	(2,566)	(2,566)
BALANCE, June 30, 2022	18,875,580	\$ 19	\$ 147,804	\$ (129,463)	\$ 18,360

See accompanying notes to unaudited condensed financial statements

INTELLICHECK, INC.

CONDENSED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six months ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,093)	\$ (2,566)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	139	139
Stock-based compensation	1,005	1,038
Bad debt expense	16	13
Change in accrued interest and accretion of discount on short-term investments	(2)	—
Changes in assets and liabilities:		
(Increase) in accounts receivable	(133)	(279)
(Increase) decrease in other current assets and long-term assets	(178)	107
(Decrease) in accounts payable and accrued expenses	(22)	(497)
Increase in deferred revenue	412	507
Net cash used in operating activities	(856)	(1,538)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(31)	(156)
Net cash used in investing activities	(31)	(156)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of insurance financing arrangement	49	—
Withholding taxes paid on RSU vesting	(54)	—
Repayment of insurance financing arrangements	(119)	—
Net cash used in financing activities	(124)	—
Net decrease in cash	(1,011)	(1,694)
CASH, beginning of period	5,196	13,651
CASH, end of period	\$ 4,185	\$ 11,957
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 2	\$ —
Cash paid for income taxes	\$ 87	\$ —

See accompanying notes to unaudited condensed financial statements.

INTELLICHECK, INC.

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

(All dollar amounts are rounded to thousands, except share data)
(Unaudited)

1. NATURE OF BUSINESS

Business

Intellicheck, Inc. (the "Company" or "Intellicheck") is a prominent technology company engaged in developing, integrating and marketing identity verification solutions to address challenges that include commercial retail and banking fraud prevention. Intellicheck's products include solutions for preventing identity fraud across any industry delivered via smartphone, tablet, POS integration or other electronic devices. Intellicheck continues to develop and release innovative products based upon its rich patent portfolio consisting of ten (10) U.S. and one Canadian patents, as well as three U.S. patents pending.

Liquidity

For the six months ended June 30, 2023, the Company incurred a net loss of \$(2,093) and used cash in operations of \$(856). As of June 30, 2023, the Company had cash and cash equivalents of \$ 4,185 , short-term investments of \$ 4,882 , working capital (defined as current assets minus current liabilities) of \$ 8,312 and an accumulated deficit of \$(132,841). Based on the Company's business plan and cash resources, Intellicheck expects its existing and future resources and revenues generated from operations to satisfy its working capital requirements for at least the next 12 months from the date of filing.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments necessary for a fair presentation of the Company's financial position at June 30, 2023, the results of operations, and stockholders' equity for the three and six months ended June 30, 2023 and 2022 and cash flows for the six months ended June 30, 2023 and 2022. All such adjustments are of a normal and recurring nature. Interim financial statements are prepared on a basis consistent with the Company's annual financial statements. Results of operations for the three and six-month periods ended June 30, 2023, are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2023.

The balance sheet as of December 31, 2022 has been derived from the audited financial statements at that date but does not include all of the information and notes required by GAAP for complete financial statements.

References in this Quarterly Report on Form 10-Q to "authoritative guidance" is to the Accounting Standards Codification ("ASC") issued by the Financial Accounting Standards Board ("FASB").

For further information, refer to the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") to measure credit losses on financial instruments, including trade receivables. The guidance eliminates the probable initial recognition threshold that was previously required prior to recognizing a credit loss on financial instruments. The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses. Under the previous guidance, an entity only considered past

events and current conditions. The guidance is effective for smaller reporting companies for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of certain amendments of this guidance must be applied on a modified retrospective basis and the adoption of the remaining amendments must be applied on a prospective basis. The Company concluded that the adoption of this standard, on January 1, 2023, did not have a material impact on its financial statements because of the short-term nature of its outstanding accounts receivable and there have been no significant forward-looking economic conditions identified by the Company that would impact its short-term investments.

Use of Estimates

The preparation of the Company's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. Significant estimates and assumptions that affect amounts reported in the financial statements include impairment consideration and valuation of goodwill and intangible assets, deferred tax valuation allowances, allowance for doubtful accounts, revenue recognition (including breakage revenue) and the fair value of stock options under the Company's stock-based compensation plan. Due to the inherent uncertainties involved in making estimates, actual results reported in future periods may be different from those estimates. ASC 718 establishes fair value as the measurement objective in accounting for equity payment arrangements and requires all companies to apply a fair-value based measurement method in accounting for all equity payment transactions with employees.

Research and Development

Research and development expenses are expensed as incurred and consist primarily of employee-related expenses (such as salaries, taxes, benefits and stock-based compensation), allocated overhead costs and outside services costs related to the development and improvement of the Company's SaaS applications.

Allowance for Doubtful Accounts

Effective January 1, 2023 Intellicheck is required to apply the new standard ASU 2016-13, codified as ASC 326. This impacts how the allowance for doubtful accounts is being calculated. Prior to ASC-326, Intellicheck would not recognize a bad debt expense until the loss from customer non-payment was probable of occurring. Under the new model, Intellicheck's allowance for doubtful accounts reflects the Company's estimate of all expected future losses from its current customer balances. Under the new guidance, the Company has applied a loss rate method which takes historical data as the basis for calculating the allowance amount, along with accounting for other factors like current and forecasted market conditions, and potential future impacts to the industry. In estimating whether accounts receivable can be collected, the Company performs evaluations of customers and continuously monitors collections and payments and estimates an allowance for credit losses based on collections experience to date and any specific collection issues that have been identified. The allowance for credit losses is recorded in the period in which revenue is recorded or when collection risk is identified.

Cash and Cash Equivalents

We classify time deposits and other investments that are highly liquid and have maturities of three months or less at the date of purchase as cash equivalents. Our cash and cash equivalents consist primarily of both cash on deposits with banks, which are maintained with major financial institutions in the United States, and money market funds. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000, however amounts may exceed FDIC insured limits.

Short-term investments

Short-term investments include investments in U.S. treasury notes. Debt investments with original maturities at the date of purchase greater than approximately three months but less than a year are classified as short-term investments, as they represent the investment of cash available for current operations. All short-term investments that the Company holds are classified as "held-to-maturity". See Note 3 for more detail and a breakdown of the Company's short-term investments.

Property and Equipment

Property and equipment are recorded at cost and are depreciated over their estimated useful lives ranging from three to seven years using the straight-line method. See Note 4.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets acquired in business combinations. Pursuant to ASC 350, the Company tests goodwill for impairment on an annual basis in the fourth quarter on December 31st, or between annual tests, in certain circumstances. Under authoritative guidance, the Company first assessed qualitative factors to determine whether it was necessary to perform step one of the quantitative goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. Events or changes in circumstances which could trigger an impairment review include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, other entity specific events and sustained decrease in share price.

The Company performed its annual impairment test of goodwill in the fourth quarter for the year ended December 31, 2022. For the six months ended June 30, 2023 and 2022, the Company determined no triggering events existed and as such no impairment charge was required.

Intangible Assets

Intangible assets include patents, copyrights, and developed technology. The Company amortizes these assets on a straight-line basis over their estimated useful lives, as it represents the pattern of economic benefits consumed. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable in accordance with ASC 360. To determine recoverability of its long-lived assets, the Company evaluates the probability that future undiscounted net cash flows will be less than the carrying amount of the assets. There were no impairment charges recognized during the three and six months ended June 30, 2023 and 2022.

Advertising Costs

Advertising costs, which are expensed as incurred, were \$ 371 and \$ 390 for the six months ended June 30, 2023 and 2022, respectively. Advertising costs were \$ 172 and \$ 241 for the three months ended June 30, 2023 and 2022, respectively. These costs are recorded as a component of selling, general and administrative expenses on the Statements of Operations.

Retirement Plan

The Company has a retirement savings 401(k) plan ("Retirement Plan"). The Retirement Plan permits eligible employees to make voluntary contributions to a trust, up to a maximum of 35 % of compensation, subject to certain limitations. The Company has elected to contribute a matching contribution equal to 50 % of the first 6 % of an eligible employee's deferral election. The Company's matching contributions were \$ 54 and \$ 60 for the six months ended June 30, 2023 and 2022, respectively. The Company's matching contributions were \$ 27 and \$ 31 for the three months ended June 30, 2023 and 2022, respectively. These costs were recorded as a component of selling, general and administrative expenses on the Statements of Operations.

Shipping Costs

The Company's shipping and handling costs related to sales are included in cost of revenues for all periods presented. All other shipping and handling costs are included as a component of selling, general and administrative expenses on the Statements of Operations.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial

statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The Company has recorded a full valuation allowance for its net deferred tax assets as of June 30, 2023 and December 31, 2022, as it is more likely than not these assets may not be fully realized due to the uncertainty of the realizability of those assets.

Fair Value of Financial Instruments

The Company adheres to the provisions of ASC 820, "Fair Value Measurement" which requires the Company to calculate the fair value of financial instruments and include this additional information in the notes to financial statements when the fair value of those financial instruments is different than the book value. The Company's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, other current assets, accounts payable and accrued expenses. At June 30, 2023 and December 31, 2022, the carrying value of the Company's financial instruments approximated fair value, due to their short-term nature. FASB guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

- Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities. The Company's Level 1 assets consisted primarily of cash and cash equivalents as well as short-term investments totaling \$ 9.1 and \$ 10.1 million as of June 30, 2023 and December 31, 2022 respectively.
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active). Level 2 includes financial instruments that are valued using models or other valuation methodologies. The Company had \$ 79 and \$ 54 of Level 2 liabilities as of June 30, 2023 and December 31, 2022 respectively, for the liability-classified stock options. The fair value of these awards were determined by utilizing a Black-Scholes option pricing model.
- Level 3—Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when the fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable. The Company had no Level 3 assets or liabilities as of June 30, 2023 and December 31, 2022.

Revenue Recognition and Deferred Revenue

General

Most license fees and services revenue are generated from a combination of fixed-price and per-scan contracts. Under the per-scan revenue model, customers are charged a fee each time the customer scans an identity document, such as a driver's license, with the Company's software. Under the fixed-price revenue model customers are charged a fixed monthly fee either per device or physical business location to access the Company's software. Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration expected to be received in exchange for those goods or services. The Company measures revenue based on the consideration specified in a customer arrangement, and revenue is recognized when the performance obligations in an arrangement are satisfied. A performance obligation is a promise in a contract to transfer a distinct service to the customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when or as, the customer receives the benefit of the performance obligation. Customers typically receive the benefit of the Company's services as they are performed. Substantially all customer contracts provide that the Company is compensated for services performed to date.

During 2021, the Company adopted an additional revenue model where customers purchase a predetermined number of transactions for the term of the contract. Revenue for these transactions is recognized on a per transaction basis. The Company estimates the amount of unused transactions at the end of each contract period and recognizes a portion of

that revenue as breakage revenue each reporting period. If the Company expects the customer to use all transactions in the specified service period, the Company will recognize the transaction price as revenue in the specified service period as the promised units of service are transferred to the customer. Alternatively, if the Company expects that the customer cannot or will not use all transactions in the specified service period (referred to as "breakage"), the Company will recognize the estimated breakage amount as revenue ratably over the service period in proportion to the revenue that the Company will recognize for actual transactions used by the customer in the service period. Actual results could differ from estimates and as such differences may be material to the financial statements.

Invoicing is based on schedules established in customer contracts. Payment terms are generally established from 30 to 60 days from the invoice date. Product returns are estimated and recorded as a reduction to revenue, however, such amounts have been immaterial.

Nature of goods and services

The following is a description of the products and services from which the Company generates revenue, as well as the nature, timing of satisfaction of performance obligations, and significant payment terms for each:

Software as a Service (SaaS)

Software as a service (SaaS) for hosted subscription services allows customers to access a set of data for a predetermined period of time. As the customer obtains access at a point in time but continues to have access for the remainder of the subscription period, the customer is considered to simultaneously receive and consume the benefits provided by the entity's performance as the entity performs. Accordingly, the revenue should be recognized over time, under the fixed pricing model, based on the usage of the hosted subscription services, which can vary from month to month. Under the per-scan revenue model, the customer requires access to the Company's hosted subscription service but revenue is recognized each time the customer scans an identity document.

Equipment Revenue

Revenue from the sale of equipment is recognized at a point in time. The point in time that the revenue is recognized is when the customer has control of the equipment which is when the customer receives the benefit and the Company's performance obligation has been satisfied. Depending on the contract terms, that could either be at the time the equipment is shipped or at the time the equipment is received. When sales of equipment occur, we recognize shipping and handling costs with the sales of equipment that are recognized as revenue.

Other Revenue

Other Revenues, which historically have not been material, consist primarily of revenues from other subscription and support services, and extended warranties. The Company's revenues from other subscription and support services includes jurisdictional updates to certain commercial customers and support services particularly to its Defense ID® customers. These subscriptions require continuing service or post contractual customer support and performance. As the customer obtains access at a point in time but continues to have access for the remainder of the subscription period, the customer is considered to simultaneously receive and consume the benefits provided by the Company's performance as the Company performs. Accordingly, the revenue should be recognized over time based on usage, which can vary from month to month. The revenue is typically based on a formula such as number of locations in a given month multiplied by a fee per location.

Extended warranty revenues are generated when a warranty is provided to the customer separately of other performance obligations when the equipment is sold. As the customer obtains access at a point in time and continues to have access for the remainder of the warranty term, the customer is considered to simultaneously receive and consume the benefits provided by the Company's performance as the Company performs. The related revenue is recognized ratably over the specified term of the warranty period. The extended warranty is separate to the Company's standard warranty of usually one year that it receives from its vendor.

Disaggregation of revenue

In the following tables, revenue is disaggregated by product and service and the timing of revenue recognition.

	For the Three Months Ended June 30,	
	2023	2022
Products and services		
Software as a Service (SaaS)	\$ 4,663	\$ 3,928
Equipment	31	80
Other	22	—
	<u>\$ 4,716</u>	<u>\$ 4,008</u>
Timing of revenue recognition		
Products transferred at a point in time	\$ 53	\$ 80
Services transferred over time	4,663	3,928
	<u>\$ 4,716</u>	<u>\$ 4,008</u>
	For the Six Months Ended June 30,	
	2023	2022
Products and services		
Software as a Service (SaaS)	\$ 8,891	\$ 7,281
Equipment	46	117
Other	33	5
	<u>\$ 8,970</u>	<u>\$ 7,403</u>
Timing of revenue recognition		
Products transferred at a point in time	\$ 79	\$ 122
Services transferred over time	8,891	7,281
	<u>\$ 8,970</u>	<u>\$ 7,403</u>

Contract balances

The current portion of deferred revenue at June 30, 2023, December 31, 2022 and December 31, 2021 was \$ 1,319 , \$ 906 and \$ 1,266 , respectively, and primarily consists of revenue recognized over time for software license contracts and hosted subscription services. The changes in these balances are related to purchases of a predetermined number of transactions, partially offset by the satisfaction or partial satisfaction of these contracts. Of the December 31, 2022 balance, \$ 250 and \$ 592 were recognized as revenue in the three and six months ended June 30, 2023, respectively. The noncurrent deferred revenue balances were \$ 0 , \$ 1 and \$ 8 as of June 30, 2023, December 31, 2022 and December 31, 2021, respectively.

Accounts Receivable

Accounts Receivable, net of allowance for doubtful accounts, at June 30, 2023, December 31, 2022 and January 1, 2022 was \$ 2,754 , \$ 2,637 , and \$ 2,189 , respectively. The allowance for doubtful accounts at June 30, 2023, December 31, 2022 and December 31, 2021 was \$ 36 , \$ 20 and \$ 3 , respectively.

Transaction price allocated to the remaining performance obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period:

	Remainder 2023	2024	2025	Total
Software as a Service (SaaS)	\$ 847	\$ 470	\$ —	\$ 1,317
Other	2	—	—	2
	<u>\$ 849</u>	<u>\$ 470</u>	<u>\$ —</u>	<u>\$ 1,319</u>

All consideration from contracts with customers is included in the amounts presented above.

Business Concentrations and Credit Risk

Financial instruments, which subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents. The Company maintains cash with two financial institutions. The Company performs periodic evaluations of the relative credit standing of these institutions.

The Company's sales are principally made to large retail customers, financial institutions concentrated in the United States of America and to U.S. government entities. The Company performs ongoing credit evaluations, generally does not require collateral, and establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends, and other information.

During the six-month period ended June 30, 2023, the Company made sales to three customers that accounted for approximately 48 % of total revenues, 22 %, 13 % and 13 %, respectively. The revenue was primarily associated with commercial identity sales customers. These three customers, in addition with one other customer, represented 63 % of total accounts receivable at June 30, 2023, 37 %, 8 %, 1 %, and 17 % respectively. During the six-month period ended June 30, 2022, the Company made sales to three customers that accounted for approximately 53 % of total revenues, 22 %, 18 % and 13 %, respectively. These three customers, in addition with one other customer, represented 70 % of total accounts receivable at June 30, 2022, 24 %, 19 %, 9 % and 18 %, respectively. That revenue was also associated with commercial identity sales customers.

Net Loss Per Share

Basic net loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of shares of common stock and potentially dilutive common stock equivalents outstanding during the period. The dilutive effect of outstanding options, warrants and restricted stock is reflected in diluted earnings

per share by application of the treasury stock method. The calculation of diluted net loss per share excludes all anti-dilutive shares. In periods of a net loss, all common stock equivalents are considered anti-dilutive.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net Loss	\$ (777)	\$ (1,098)	\$ (2,093)	\$ (2,566)
Denominator:				
Weighted average common shares –				
Basic/Diluted	19,120,327	18,812,418	19,168,534	18,736,736
Net Loss per share –				
Basic/Diluted	\$ (0.04)	\$ (0.06)	\$ (0.11)	\$ (0.14)

The following table summarizes the common stock equivalents excluded from loss per diluted share because their effect would be anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Stock options	1,202,044	1,144,335	1,202,044	1,144,335
Restricted stock	129,982	230,082	129,982	230,082
Performance stock units	—	177,688	—	177,688
	1,332,026	1,552,105	1,332,026	1,552,105

3. CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Short-term investments include investments in U.S. treasury notes. Short-term investments with original maturities of approximately three months or less from the date of purchase are classified within cash and cash equivalents. Debt investments with original maturities at the date of purchase greater than approximately three months but less than one year are classified as short-term investments, as they represent the investment of cash available for current operations. All short-term investments that the company holds are classified as "held-to-maturity". The Company has accounted for and disclosed the purchase of its short-term investments in accordance with ASC 320 ("Investments - Debt Securities"). The following table summarizes the fair value of cash and cash equivalents, and short-term investments as well as any gross unrealized holding gains and losses as of June 30, 2023. Due to the nature of these assets and the short-term nature of the U.S. treasury notes being held to maturity, both these cash and cash equivalents and short-term investments fall under the Level 1 fair value hierarchy as referenced in Note 2.

	As of June 30, 2023			
	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Estimated fair value
Cash and cash equivalents	\$ 4,185	\$ —	\$ —	\$ 4,185
U.S. treasury notes ⁽¹⁾	4,882	101	(2)	4,981
Total cash, cash equivalents and short-term investments	\$ 9,067	\$ 101	\$ (2)	\$ 9,166

⁽¹⁾ These U.S. treasury notes are classified as "held-to-maturity" as they were purchased in December 2022 and mature in

July 2023. Since these securities are intended to be held until maturity and mature in less than a year from their purchase date, any unrealized gains or losses are not realized until their maturity date and the amortized cost of these securities can be found on this Form 10-Q's balance sheet under Current Assets - "Short-term investments". Any coupon payments from these short-term investments fall under "Interest and other (expense) income" on the Company's Statement of Operations.

The Company did not hold any securities that were in an unrealized loss position for more than 12 months as of June 30, 2023 and 2022. There were no material realized gains or losses on these short-term investments during the quarters ended June 30, 2023 and June 30, 2022.

4. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	June 30, 2023	December 31, 2022
Computer equipment and software	\$ 1,828	\$ 1,796
Furniture and fixtures	139	139
Office equipment	614	614
	2,581	2,549
Less – Accumulated depreciation	(1,887)	(1,800)
	<u>\$ 694</u>	<u>\$ 749</u>

Depreciation expense for the six months ended June 30, 2023 and 2022 amounted to \$ 86 respectively. Depreciation expense for the three months ended June 30, 2023 and 2022 amounted to \$ 43 , respectively.

5. INTANGIBLE ASSETS

The changes in the carrying amount of intangible assets for the six months ended June 30, 2023 were as follows:

Net balance at December 31, 2022	\$ 273
Deduction: Amortization expense	(53)
Net balance at June 30, 2023	<u>\$ 220</u>

The following tables set forth the components of intangible assets as of June 30, 2023 and December 31, 2022:

	Estimated Useful Life	As of June 30, 2023		
		Adjusted Carrying Amount	Accumulated Amortization	Net
Patents and copyrights	2 - 17 years	\$ 375	\$ (288)	\$ 87
Developed technology	5 years	400	(267)	133
		<u>\$ 775</u>	<u>\$ (555)</u>	<u>\$ 220</u>

	Estimated Useful Life	As of December 31, 2022		
		Adjusted Carrying Amount	Accumulated Amortization	Net
Patents and copyrights	2 - 17 years	\$ 375	\$ (275)	\$ 100
Developed technology	5 years	400	(227)	173
		<u>\$ 775</u>	<u>\$ (502)</u>	<u>\$ 273</u>

The following summarizes amortization of intangible assets included in the accompanying statements of operations:

	Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of sales	\$ 23	\$ 23	\$ 47	\$ 47
General and administrative	3	3	6	6
	<u>\$ 26</u>	<u>\$ 26</u>	<u>\$ 53</u>	<u>\$ 53</u>

6. DEBT

Revolving Line of Credit

On February 6, 2019, the Company entered into a revolving credit facility with Citi Personal Wealth Management that allows for borrowings up to the lesser of (i) \$ 2,000 or (ii) the collateralized balance in the Company's existing fixed income investment account with Citi Personal Wealth Management subject to certain limitations. The facility bears interest at a rate consistent of Citi Personal Wealth Management's Base Rate (8.25 % and 7.50 % at June 30, 2023 and December 31, 2022, respectively) minus 2 %. Interest is payable monthly and as of June 30, 2023 and December 31, 2022, there were no amounts outstanding and unused availability under this facility was \$ 2,000 . The Company is not subject to any financial covenants related to this revolving line of credit. This line will remain open as long as the Company keeps a depository relationship with the financial institution.

Insurance Financing Arrangement

On February 2023, the Company entered into a financing arrangement related to insurance premiums totaling \$ 49 with an interest rate of 9.47 %. The monthly loan payments of \$ 5 are to be paid to IPFS of New York, LLC over a period of 11 months. As of June 30, 2023, the Company had \$ 23 in remaining commitments related to this financing arrangement which is included in the "Accrued expenses" line on the balance sheet as of June 30, 2023. The Company is not subject to any financial covenants related to this insurance financing arrangement.

7. ACCRUED EXPENSES

Accrued expenses are comprised of the following:

	June 30, 2023	December 31, 2022
Professional fees	\$ 78	\$ 259
Payroll and related	1,240	1,040
Incentive bonuses	502	846
Other	160	174
	<u>\$ 1,980</u>	<u>\$ 2,319</u>

8. INCOME TAXES

Our available net operating loss ("NOL") as of December 31, 2022 was approximately \$ 20.8 million, of which \$ 10.9 million expires between 2035 and 2037. In accordance with the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), U.S. NOLs arising in a tax year ending after 2017 will not expire.

ASC 740 requires evaluation of uncertain tax positions and as of June 30, 2023, the Company has no material uncertain tax positions.

The Company's interim income tax provision consists of U.S. federal and state income taxes based on the estimated annual effective tax rate that the Company expects for the full year together with the tax effect of discrete items. Each quarter the Company updates its estimate of the annual effective tax rate and records cumulative adjustments as necessary. As of June 30, 2023, the Company was in a pre-tax loss position, and is anticipated to remain so throughout the year. The effective tax rate for the three and six months ended June 30, 2023 is different from the tax benefit that would result from applying the statutory tax rates primarily due to the recognition of valuation allowances.

9. STOCKHOLDERS' EQUITY**Stock-based Compensation**

To retain and attract qualified personnel necessary for the success of the Company, the Company adopted the 2015 Omnibus Incentive Plan (the "Plan") covering up to 5,236,000 of the Company's common shares, pursuant to which officers, directors, key employees and consultants to the Company are eligible to receive incentive stock options, nonqualified stock options and restricted stock units. All the equity compensation plans prior to Company's 2015 Omnibus Incentive Plan have been closed. The Compensation Committee of the Board of Directors administers this Plan and determines the terms and conditions of stock options granted, including the exercise price. This Plan generally provides that all stock options will expire within ten years of the date of grant. Incentive stock options granted under this Plan must be granted at an exercise price that is not less than the fair market value per share at the date of the grant and the exercise price must not be less than 110 % of the fair market value per share at the date of the grant for grants to persons owning more than 10 % of the voting stock of the Company. This Plan also entitles non-employee directors to receive grants of non-qualified stock options as approved by the Board of Directors.

The Company accounts for the issuance of stock-based awards to employees in accordance with ASC Topic 718, which requires that the cost resulting from all stock-based compensation payment transactions be recognized in the financial statements. This pronouncement establishes fair value as the measurement objective in accounting for stock-based compensation payment arrangements and requires all companies to apply a fair value based measurement method in accounting for all stock-based compensation payment transactions with employees. All stock-based compensation is included in operating expenses as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Compensation cost recognized:				
Selling, general & administrative	\$ 229	\$ 282	\$ 824	\$ 709
Research & development	94	164	181	329
	<u>\$ 323</u>	<u>\$ 446</u>	<u>\$ 1,005</u>	<u>\$ 1,038</u>

Stock Options

The Company uses the Black-Scholes option pricing model to value the options on the grant date. The table below presents the weighted average expected life of the stock options in years. The Company uses the simplified method for all restricted stock units and stock options to estimate the expected life of the option and assumes that stock options will be exercised evenly over the period from vesting until the awards expire. Volatility is determined using changes in historical stock prices. The interest rate for periods within the expected life of the award is based on U.S. Treasury yield curve in effect on the grant date. Options, generally, vest from one year to four years. The compensation expense is recognized over the requisite service period on a straight-line basis, reduced by forfeitures as they occur.

Certain option awards are classified as liability awards. The fair value of these awards are determined at each reporting period utilizing a Black-Scholes option pricing model, and the associated compensation expense (credit) for the reporting period is recorded. The Company increased stock-based compensation expense by approximately \$ 15 and decreased by approximately \$(25) for the three and six months ended June 30, 2023, respectively, as a result of the change in fair value of these awards. The Company decreased stock-based compensation expense by approximately \$(74) and \$(311) for the three and six months ended June 30, 2022, respectively, as a result of the change in fair value of these awards.

Stock option activity under the 2015 Plan during the period indicated below is as follows:

	Number of Shares Subject to Issuance	Weighted- average Exercise Price	Weighted- average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2022	1,120,244	\$ 3.68	3.50 years	\$ 84
Granted	502,507	3.02	—	—
Forfeited, cancelled, or expired	(420,707)	4.06	—	—
Outstanding at June 30, 2023	1,202,044	\$ 2.52	3.49 years	\$ 214
Exercisable at June 30, 2023	475,681	\$ 3.90	2.22 years	\$ 214

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had they all exercised their options on June 30, 2023. This amount changes based upon the fair market value of the Company's stock.

Restricted Stock Units

The Company issues restricted stock units ("RSUs") which are equity-based instruments that may be settled in shares of common stock of the Company. During the six months ended June 30, 2023, the Company issued RSUs to certain directors as compensation. RSU agreements can vest immediately or with the passage of time. The vesting of all RSUs is contingent on continued board and employment services.

The compensation expense incurred by the Company for RSUs is based on the closing market price of the Company's common stock on the date of grant, is amortized on a straight-line basis over the requisite service period and

charged to operating expenses with a corresponding increase to additional paid-in capital, reduced by forfeitures when they occur.

Restricted stock unit activity during the period indicate below is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2022	214,892	\$ 8.43
Granted	160,640	2.48
Forfeited or surrendered	(15,120)	10.46
Vested and settled in shares	(230,430)	4.30
Outstanding at June 30, 2023	129,982	\$ 8.16

Performance Stock Units

On August 7, 2020, the Company issued 265,942 performance stock units (PSUs) to its officers and certain employees as compensation ("PSU Plan"). 50 % of the PSUs were to vest based on the Company's market price and 50 % were to vest based on the Company's Adjusted EBITDA. Both the conditions were to occur over a specified time frame and were contingent on continued employment services.

On November 4, 2021, the Company amended its PSU Plan so that 100 % of the PSUs vest based on the Company's market price as the sole vesting criteria. As a result of this amendment, the Adjusted EBITDA performance metric is no longer a vesting criterion.

The fair value of these awards with a market condition was estimated, at the date of grant, using the Monte Carlo Simulation model with compensation expense being determined on the closing market price of the Company's common stock on the date of grant and is amortized ratably on a straight-line basis over the requisite service period. With the amendment mentioned above such that the Company's market price is the sole vesting criteria for these awards, compensation expense is charged to operating expenses with a corresponding increase to additional paid-in capital and is not reversed if the vesting criteria is not met. As of June 30, 2023, there were no outstanding PSUs.

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2022	177,688	\$ 7.91
Forfeited	(88,844)	7.91
Vested and settled in shares	(88,844)	7.91
Outstanding at June 30, 2023	—	\$ 7.91

As of June 30, 2023, there was approximately \$ 1,484 of total unrecognized compensation costs, related to all unvested stock options and RSUs. These costs are expected to be recognized as compensation expense over a weighted-average period of approximately 1.90 years.

The Company had 1,194,719 shares available for future grants under the Company's equity compensation plans at June 30, 2023.

10. COMMITMENTS AND CONTINGENCIES

The Company is not aware of any infringement by the Company's products or technology on the proprietary rights of others.

The Company is not currently involved in any legal or regulatory proceeding, or arbitration, the outcome of which is expected to have a material effect on its business.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (All dollar amounts are rounded to thousands, except shares and per share data)

Forward Looking Statements

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, particularly statements anticipating future growth in revenues, loss from operations and cash flow. Words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify forward-looking statements. These forward-looking statements are based on management's current expectations and beliefs about future events. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements whether as a result of such changes, new information, subsequent events or otherwise. References made in this Quarterly Report on Form 10-Q to "we," "our," "us," "Intellicheck," or the "Company," refer to Intellicheck, Inc.

The following discussion and analysis of our financial condition and results of operations constitutes management's review of the factors that affected our financial and operating performance for the three and six-month periods ended June 30, 2023. This discussion should be read in conjunction with the financial statements and notes thereto contained elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2022.

Overview

We are a prominent technology company engaged in developing, integrating and marketing identity verification solutions to address challenges that include commercial retail and banking fraud prevention. Our products include solutions for preventing identity fraud across any industry delivered via smartphone, tablet, POS integration or other electronic devices.

Critical Accounting Policies and the Use of Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Significant estimates and assumptions that affect amounts reported in the financial statements include impairment consideration and valuation of goodwill and intangible assets, deferred tax valuation allowances, allowance for doubtful accounts, revenue recognition (including breakage revenue), and the fair value of stock options under our stock-based compensation plans. Due to the inherent uncertainties involved in making estimates, actual results reported in future periods may be different from those estimates.

We believe that there are several accounting policies that are critical to understanding our historical and future performance, as these policies affect the reported amounts of revenue and the more significant areas involving management's judgments and estimates. These significant accounting policies relate to revenue recognition, stock-based compensation, deferred taxes, goodwill and intangible asset valuation and impairment, and commitments and contingencies. These policies and our procedures related to these policies are summarized below and described in further detail in the Notes to Financial Statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* to measure credit losses on financial instruments, including trade receivables. The guidance eliminates the probable initial recognition threshold that was previously required prior to recognizing a credit loss on financial instruments. The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses. Under the previous guidance, an entity only considered past events and current conditions. The guidance is effective for smaller reporting companies for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of certain amendments of this guidance must be applied on a modified retrospective basis and the adoption of the remaining amendments must be applied on a prospective basis. The Company concluded that the adoption of this standard did not have a material impact on its financial statements because of the short-term nature of its outstanding accounts receivable and there have been no significant forward-looking economic conditions identified by the company that would impact its short-term investments.

Goodwill

The excess of the purchase consideration over the fair value of the assets of acquired businesses is considered goodwill. Under authoritative guidance, goodwill is not amortized, but rather it is periodically reviewed for impairment. We had goodwill of \$8,102 as of June 30, 2023.

For the year ended December 31, 2022, the Company performed its annual impairment test of goodwill in the fourth quarter of the fiscal year. Under authoritative guidance, the Company can use industry and Company specific qualitative factors to determine whether it is more likely than not that impairment exists before performing step one of the quantitative goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. Events or changes in circumstances which could trigger an impairment review include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, other entity specific events and sustained decrease in share price.

We determined that no events occurred or circumstances changed during the six months ended June 30, 2023 that would more likely than not reduce the fair value of the Company below its carrying amounts. We will, however, continue to monitor our stock price and operations for any potential indicators of impairment. We will conduct the 2023 annual test for goodwill impairment in the fourth quarter, or at such time where an indicator of impairment appears to exist.

Intangible Assets

Our intangible assets consist of patents and a software license. We determined that no events occurred, or circumstances changed during the six months ended June 30, 2023 that would more likely than not reduce our intangible assets below our carrying amounts. We will, however, continue to monitor any potential indicators of impairment. See Note 5, "Intangible Assets," in the Notes to Financial Statements for details on the Company's intangible assets.

Revenue Recognition and Deferred Revenue

SaaS fees and service revenues are generated from a combination of fixed-price and per-scan contracts. Under the per-scan revenue model, customers are charged a fee each time the customer scans an identity document, such as a driver's license, with our software. Under the fixed-price revenue model customers are charged a fixed monthly fee either per device or physical business location to access our software. In certain instances, customization services are determined to be essential to the functionality of the delivered software. Under Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Customers," revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration expected to be received in exchange for those goods or services. We measure revenue based on the consideration specified in a customer arrangement, and revenue is recognized when the performance obligations in an arrangement are satisfied. The Company adopted an additional revenue model where customers purchase a predetermined number of transactions for the term of the contract, where revenue for these transactions is recognized on a per transaction basis. The Company estimates the number of transactions that will be unused by the end of each contract period and recognized a portion of that revenue as breakage revenue each reporting period. Reference Note 2, "Significant Accounting Policies," in the Notes to Financial Statements for additional details on the Company's recognized and deferred revenue.

Stock-Based Compensation

We account for the issuance of stock-based compensation awards to employees in accordance with ASC 718, "Compensation – Stock Compensation", which requires that the cost resulting from all stock-based compensation payment transactions be recognized in the financial statements. This pronouncement establishes fair value as the measurement objective in accounting for stock-based compensation payment arrangements and requires all companies to apply a fair value-based measurement method in accounting for all stock-based compensation payment transactions with employees. Reference Note 9, "Stockholders' Equity," in the Notes to Financial Statements for details on the Company's stock-based compensation plans.

Deferred Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases

and net operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. We have recorded a full valuation allowance for our net deferred tax assets as of June 30, 2023, due to the uncertainty of our ability to realize those assets. Reference Note 8, "Income Taxes," in the Notes to Financial Statements for details on the Company's income taxes.

Commitments and Contingencies

We are not currently involved in any legal or regulatory proceeding, or arbitration, the outcome of which is expected to have a material adverse effect on our business.

The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

Results of Operations

(All dollar amounts are rounded to thousands, except shares and per share data)

COMPARISON OF THE THREE MONTHS ENDED JUNE 30, 2023 TO THE THREE MONTHS ENDED JUNE 30, 2022

Revenues for the three months ended June 30, 2023 increased \$708, or 18%, to approximately \$4,716 compared to \$4,008 for the same period of 2022. The increase in revenues is primarily the result of higher SaaS revenue growth for the current period. SaaS revenue, which consists of software licensed as a service on a subscription basis, increased \$735 or 19% to \$4,663 for the three months ended June 30, 2023 compared to \$3,928 for the same period of 2022.

Gross profit increased \$720, or 20%, to \$4,364 for three months ended June 30, 2023 from \$3,644 for the same period of 2022. Our gross profit, as a percentage of revenues, was 93% and 91% for the three months ended June 30, 2023 and 2022, respectively. The increase in gross profit percentage was driven by a higher concentration of SaaS revenues, a nominal decrease in hardware revenue, as well as an improved cloud cost structure.

Operating expenses, which consist of selling, general and administrative and research and development expenses, increased \$395, or 8%, to \$5,137 for the three months ended June 30, 2023 compared to \$4,742 for the same period of 2022. This increase was primarily driven by higher general and administrative costs, specifically headcount-related expenses tied to non-restructuring severance expenses, as well as higher accounting and professional fees.

As a result of the factors noted above, the Company had a net loss of \$(777) for the three months ended June 30, 2023 as compared to a net loss of \$(1,098) for the three months ended June 30, 2022.

COMPARISON OF THE SIX MONTHS ENDED JUNE 30, 2023 TO THE SIX MONTHS ENDED JUNE 30, 2022

Revenues for the six months ended June 30, 2023 increased \$1,567, or 21%, to \$8,970 compared to \$7,403 for the same period of 2022. The increase in revenues is primarily the result of higher SaaS revenue growth for the current period. SaaS revenue, which consists of software licensed as a service on a subscription basis, increased \$1,610 or 22% to \$8,891 for the six months ended June 30, 2023 compared to \$7,281 for the same period of 2022.

Gross profit increased \$1,563, or 23%, to \$8,286 for three months ended June 30, 2023 from \$6,723 for the same period of 2022. Our gross profit, as a percentage of revenues, was 92% and 91% for the six months ended June 30, 2023 and 2022, respectively. The increase in gross profit percentage was driven by a higher concentration of SaaS revenues, a nominal decrease in hardware revenue, as well as an improved cloud cost structure.

Operating expenses, which consist of selling, general and administrative and research and development expenses, increased \$1,079, or 12%, to \$10,368 for the six months ended June 30, 2023 compared to \$9,289 for the same period of 2022. This increase was primarily driven by higher general and administrative costs, specifically headcount-related expenses tied to non-restructuring severance expenses, as well as higher accounting and professional fees.

As a result of the factors noted above, the Company had a net loss of \$(2,093) for the six months ended June 30, 2023 as compared to a net loss of \$(2,566) for the six months ended June 30, 2022.

Liquidity and Capital Resources

As of June 30, 2023, we had cash and cash equivalents of \$4,185, short-term investments of \$4,882, working capital (defined as current assets minus current liabilities) of \$8,312, total assets of \$21,632 and stockholders' equity of \$17,337.

During the six months ended June 30, 2023, we used net cash of \$(856) in operating activities as compared to net cash of \$(1,538) used in the six months ended June 30, 2022. Cash used in investing activities was \$(31) for the six months ended June 30, 2023 compared to cash used in investing activities of \$(156) for the six months ended June 30, 2022. Cash used in financing activities was \$(124) for the six months ended June 30, 2023.

We currently anticipate that our available cash, expected cash from operations and availability under the revolving line of credit, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months from the date of filing. Reference Note 6, "Debt," in the Notes to Financial Statements for details on the Company's revolving line of credit.

We keep the option open to raise additional funds to respond to business contingencies which may include the need to fund more rapid expansion, fund additional marketing expenditures, develop new markets for our technology, enhance our operating infrastructure, respond to competitive pressures, or acquire complementary businesses or necessary technologies. There can be no assurance that we will be able to secure the additional funds when needed or obtain such on terms satisfactory to us, if at all.

The specific terms of any future offering, including the prices and use of proceeds, will be determined at the time of any such offering and will be described in detail in a prospectus supplement which will be filed with the SEC at the time of the offering.

We are not currently involved in any legal or regulatory proceeding, or arbitration, the outcome of which is expected to have a material effect on our business.

Net Operating Loss Carry Forwards

Our available net operating loss ("NOL") as of December 31, 2022 was approximately \$20.8 million, of which \$10.9 million expires between 2035 and 2037. In accordance with the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), U.S. NOLs arising in a tax year ending after 2017 will not expire.

Adjusted EBITDA and Use of a Non-GAAP Measure

We use Adjusted EBITDA as a non-GAAP financial performance measurement. Adjusted EBITDA is calculated by adjusting net loss for certain reductions such as interest and other income (expense) and certain addbacks such as non-restructuring severance expenses, provisions for income taxes, depreciation, amortization and stock-based compensation expense. Adjusted EBITDA is provided to investors to supplement the results of operations reported in accordance with GAAP. Management believes that Adjusted EBITDA provides an additional tool for investors to use in comparing our financial results with other companies that also use Adjusted EBITDA in their communications to investors. By excluding non-cash charges such as impairments of long-lived assets and goodwill, amortization, depreciation and stock-based compensation, as well as non-operating charges for interest and provisions for income taxes, investors can evaluate our operations and can compare the results on a more consistent basis to the results of other companies. In addition, Adjusted EBITDA is one of the primary measures management uses to monitor and evaluate financial and operating results.

We consider Adjusted EBITDA to be an important indicator of our operational strength and performance of our business and a useful measure of our historical operating trends. However, there are significant limitations to the use of Adjusted EBITDA since it excludes non-restructuring severance expenses, provisions for income taxes, interest and other (expense) income, impairments of long-lived assets and goodwill, stock-based compensation expense, all of which impact our profitability, as well as depreciation and amortization related to the use of long-term assets which benefit multiple periods. We believe that these limitations are compensated by providing Adjusted EBITDA only with GAAP net loss and clearly identifying the difference between the two measures. Consequently, Adjusted EBITDA should not be considered in

isolation or as a substitute for net loss presented in accordance with GAAP. Adjusted EBITDA as defined by us may not be comparable with similarly named measures provided by other companies.

The reconciliation of GAAP net loss to Non-GAAP Adjusted EBITDA is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net loss	\$ (777)	\$ (1,098)	\$ (2,093)	\$ (2,566)
Reconciling items:				
Non-restructuring severance expenses	417	—	417	—
Provision for income taxes	4	—	12	—
Interest and other expense (income)	—	—	(1)	—
Depreciation and amortization	69	69	139	139
Stock-based compensation including liability classified awards	323	446	1,005	1,038
Adjusted EBITDA	<u>\$ 36</u>	<u>\$ (583)</u>	<u>\$ (521)</u>	<u>\$ (1,389)</u>

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet financing arrangements and have not established any special purpose entities. We have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2023 based on the guidelines established in the "Internal Control—Integrated Framework" (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management concluded that the Company's internal control over financial reporting was effective as of June 30, 2023. Additionally, based upon management's assessment, management determined that there were no material weaknesses in its internal control over financial reporting as of June 30, 2023.

Limitations on Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all controls systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving its objectives.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2023 that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. LEGAL PROCEEDINGS

None.

Item 1A. Risk Factors

In addition to the risk factor set forth below and the other information set forth in this report, investors should carefully consider the factors discussed under Part I, Item 1A, "Risk Factors" in the Company's Annual Report on Form 10-K for the year-ended December 31, 2022 (the "2022 Annual Report"). These factors could have a material adverse effect on our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by the forward-looking statements contained in this report. Except as disclosed below, there have been no material changes to the risk factors described in Part I, Item 1A, "*Risk Factors*," included in our 2022 Annual Report.

The Company's cash and cash equivalents could be adversely affected by bank failures or other events affecting financial institutions and could adversely affect our liquidity and financial performance.

We regularly maintain domestic cash deposits in Federal Deposit Insurance Corporation ("FDIC") insured banks, in amounts which exceed the FDIC insurance limits. The failure or rumored failure of a bank, or events involving limited liquidity, defaults, non-performance, bankruptcy, receivership or other adverse developments in the financial or credit markets impacting financial institutions, may lead to disruptions in access to our bank deposits. These disruptions could impact our liquidity and financial performance. There can be no assurance that our deposits in excess of the FDIC or other comparable insurance limits will be backstopped by the U.S. government, or that any bank or financial institution with which we do business will be able to obtain needed liquidity from other banks, government institutions or by acquisition in the event of a failure or liquidity crisis. As such, those funds in bank deposit accounts in excess of the standard FDIC insurance limits are uninsured and subject to the risk of bank failure.

Currently, we have full access to all funds in deposit accounts or other money management arrangements. The failure of any bank in which we deposit our funds could reduce the amount of cash we have available for our operations or delay our ability to access such funds. In the event of such failure, we may experience delays or other issues in meeting our financial obligations, our ability to access our cash and cash equivalents may be threatened and could have a material adverse effect on our business and financial condition.

Future adverse developments with respect to specific financial institutions or the broader financial services industry may also lead to market-wide liquidity shortages.

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

None

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS

(a) The following exhibits are filed as part of the Quarterly Report on Form 10-Q:

Exhibit No.	Description
10.1	Separation Agreement dated as of May 25, 2023 by and between the Registrant and Garrett Gafke
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32	18 U.S.C. Section 1350 Certifications
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

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.

Date: August 14, 2023

INTELLICHECK, INC.

By: /s/ Bryan Lewis

Bryan Lewis

President and Chief Executive Officer

(Principal Executive Officer)

By: /s/ Jeffrey Ishmael

Jeffrey Ishmael

Chief Financial Officer and Chief Operating Officer

SEPARATION AGREEMENT AND RELEASE OF CLAIMS

This Separation Agreement and Release of Claims ("**Agreement**") is entered into by Garrett Gafke ("**Employee**") and Intellicheck, Inc. ("**Company**").

RECITALS

- A. Employee's last date of employment with Company and Insperity PEO Services, L.P. ("**Insperity**") was May 16, 2023 ("**Separation Date**");
- B. Employee and Company entered into an Employment Agreement, effective March 23, 2021 (the "**Employment Agreement**");
- C. The Employee Agreement provides Company an option to provide certain severance as defined in the Employee Agreement and subject to certain terms and conditions, including executing and not revoking a release of claims;
- D. Employee desires to receive the severance under the Employment Agreement; and
- E. To ensure an orderly and mutually agreeable separation of employment, and to settle any and all claims and disputes between Employee and Company, Company hereby agrees to provide Employee with certain benefits on the condition that Employee executes, and does not revoke, this Agreement.

In consideration of the foregoing, which is incorporated herein by reference, the parties, intending to be legally bound, agree as follows:

1. **SEPARATION FROM COMPANY.** Employee represents that, up through the Separation Date, Employee has fully complied with all Employee's obligations to Company and given best efforts to cooperating with and assisting Company in relation to Employee's separation of employment and the transition of job duties and work responsibilities. Employee claims and will claim no further right to employment with Company beyond the Separation Date.
2. **EARNED PAYMENTS AND BENEFITS.** Employee has been paid in full and received all compensation and benefits Employee earned by virtue of employment with Company and Insperity, including any incentive payments. Company has issued payment of Employee's final wages and all earned but unused Vacation, if any, in compliance with applicable law. Employee may exercise whatever rights Employee may have under COBRA to continuation of medical benefits under Insperity's Group Health Plan at Employee's own expense. Employee's rights under any of Company's or Insperity's other benefit plans will be handled in accordance with the terms of the governing documents. Except as stated in this Agreement, or as required by law, all compensation and benefits ceased on the Separation Date. Employee acknowledges and agrees that California Labor Code § 206.5 is not applicable. That section provides in pertinent part as follows:

No employer shall require the execution of any release of any claim or right on account of wages due, or to become due, or made as an event on wages to be earned, unless payment of such wages has been made.

3. ADDITIONAL CONSIDERATION. In consideration of Employee's covenants and waiver and release under this Agreement, and subject to the conditions specified below, Company will provide Employee with the following consistent with the Employment Agreement (collectively, the "**EA Severance**"):

- (a) Company will continue to pay Employee's base monthly salary (at the annual rate at the Separation Date) for one year, less applicable deductions and withholdings (each payment, a "**Severance Payment**"). The Severance Payments will be paid in accordance with Company's regular payroll schedule; and
- (b) Employee may exercise whatever rights Employee may have under COBRA to continuation of medical, dental, and vision benefits under Insperity's group medical, dental, and vision plans after the Separation Date. Should Employee exercise such rights, and enroll in COBRA coverage, Company will reimburse the COBRA premiums paid by Employee for Employee and Employee's eligible dependents currently enrolled until such time as Employee becomes eligible for coverage under another employer's insurance plan or for a period of one year, whichever is shorter. Employee shall be solely responsible for the timely payment of all COBRA premiums thereafter.

The receipt of the EA Severance is conditioned upon this Agreement becoming effective, as defined below. Employee acknowledges and agrees that (a) neither Company nor Insperity is obligated to provide Employee with the consideration provided in this Section, except under this Agreement and the Employment Agreement, (b) the provision of the EA Severance satisfies all obligations to Employee under the Employee Agreement, (c) Company's obligations set forth in this Section provide adequate consideration for Employee's covenants, waiver, and release in this Agreement, and (d) Employee's entitlement to earn and retain the EA Severance is conditioned on Employee's full compliance with this Agreement and any other obligations of Employee, including without limitation the obligations in the Employment Agreement.

4. WAIVER AND RELEASE. On behalf of Employee and Employee's marital community, heirs, executors, administrators, and assigns, Employee hereby waives, releases, and discharges any and all claims against Company and all of the other Released Parties (as defined below), whether known or unknown, anticipated or unanticipated, contingent, or otherwise, occurring or that could be alleged to have occurred before the execution of this Agreement ("**Released Claims**"). This release is comprehensive and Released Claims include all claims (including claims to costs or attorneys' fees), damages, causes of action, and disputes of any kind whatsoever. Employee understands and agrees that Released Claims include (but are not limited to) any and all claims for wages, incentives, reimbursements, employee benefits, and damages arising under:

- (a) any federal, state, or local law, regulation, or constitution dealing with employment, benefits, or discrimination such as those laws or regulations concerning discrimination, harassment, retaliation, or other unlawful conduct on the basis of race (including traits historically associated with race, such as hair texture and protective hairstyles), color, creed, religion, age, sex, sexual orientation (including gender expression/identity),

pregnancy (including childbirth and related medical conditions), national origin, ancestry, citizenship, veteran status, military service or application for military service, marital or registered domestic partner status, disability or handicap, medical condition, genetic testing and information, HIV or AIDS status, possession of sickle cell or hemoglobin C trait, lawful use of lawful products, political affiliation, status as a domestic violence victim, testimony or assistance with hazardous chemicals proceedings or investigations, jury service, family, medical, and other protected leaves of absence, engaging in acts protected by public policy, National Guard service, background checks, criminal history, or any other characteristic protected by law, including claims under the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Older Workers' Benefit Protection Act of 1990, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, and the civil rights and employment laws applicable to Employee's country, state, county, or city of employment;

- (b) any federal, state, or local law, regulation, or constitution relating to termination rights or benefits (including the Employee Retirement Income Security Act of 1974 ("ERISA"), the Worker Adjustment and Retraining Notification Act, and any state equivalent); and
- (c) any other basis for legal or equitable relief whether based on express or implied contract (including the Employment Agreement and any incentive plan), tort, statute, constitution, common law, or other legal or equitable ground, including claims of tortious interference with contract or prospective business advantage, breach of the covenant of good faith and fair dealing, promissory estoppel, detrimental reliance, invasion of privacy, nonphysical injury, personal injury or sickness or any other harm, wrongful or retaliatory discharge, fraud, defamation, libel, slander, false imprisonment, and negligent or intentional infliction of emotional distress.

Employee not only releases and discharges the Released Parties from all claims Employee could make on Employee's own behalf or on behalf of others, but also those claims that any other person or organization could make on Employee's behalf, and Employee waives any right to recover any damage awards as a member of any class in a case alleging any claim against the Released Parties. For the purpose of this Agreement, the term "**Released Parties**" means Company, Insperity, their affiliates, parents, subsidiaries, joint ventures, and related companies and their present, former, and future successors and assigns, and all of its and their present, former, and future owners, directors, officers, stockholders, members, managers, employees, agents, representatives, assigns, insurers, trustees, employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs), and attorneys, both individually and in their representative capacities.

Employee understands and agrees that the release in this Agreement extends to all known, unknown, suspected, unsuspected, past or present claims of every nature and kind whatsoever against the Released Parties. Employee understands that he may later discover claims or facts in addition to or different from those he now knows or believes to exist. Nevertheless, Employee fully and freely intends to waive any claim that might arise as a result of such additional or different claims or facts. Employee expressly waives all rights he would otherwise have under Section 1542 of the California Civil Code, which reads:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS
THAT THE CREDITOR OR RELEASING PARTY DOES NOT

KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

By waiving all rights under Section 1542, Employee acknowledges that this release includes all claims, demands, or causes of action which he may have against the Released Parties with respect to the Released Claims that exist as of the Effective Date of this Agreement.

Employee and Company do not intend to release (and this Agreement does not release) any of the following: (a) claims for breach or enforcement of this Agreement, (b) claims that arise after execution of this Agreement (including claims challenging the validity of this Agreement under the Age Discrimination in Employment Act and/or the Older Workers' Benefit Protection Act of 1990), (c) entitlement claims under ERISA for vested benefits arising under any applicable ERISA plan, (d) workers' compensation or unemployment claims, or (e) any other claims Employee may not release as a matter of law under this Agreement.

- 5. CHARGES; SETOFF; MISCELLANEOUS.** Employee represents and warrants that neither Employee nor anyone on Employee's behalf has filed any complaints, lawsuits, or other actions based on any Released Claim, except as listed below Employee's signature. If no complaints, lawsuits, or other actions are so listed, none have been filed. Nothing in this Agreement prohibits (or may be construed to prohibit) Employee from filing or prosecuting a charge or complaint with any Government Agency or participating in an investigation or proceeding conducted by any Government Agency in relation to such charge or complaint. For purposes of this Agreement, "**Government Agency**" means any employment-related agency or commission, securities regulatory agency or authority, or other federal, state, and local governmental agency or commission (such as the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, and the Securities and Exchange Commission). Unless prohibited by law, Employee further understands and agrees: (a) Employee will not seek and is hereby waiving any claim for personal damages and/or other personal relief; (b) Employee will cause the withdrawal or dismissal with prejudice of any claim Employee has purported to waive in this Agreement; (c) if Employee is ever awarded or recovers any amount as to a claim Employee has purported to waive in this Agreement (other than under the Age Discrimination in Employment Act if Employee is lawfully allowed to pursue such a claim), Employee agrees that the amount of any award or recovery will be reduced by 90 percent of the amounts Employee was paid under this Agreement, with the setoff being appropriately adjusted for Employee's return of any such amounts; and (d) to the extent such a setoff is not effected, Employee promises to pay, or assign Employee's right to receive, the amount that should have been setoff to Company. Notwithstanding the foregoing, this Agreement does not limit Employee's ability to receive an award for information provided to the Securities and Exchange Commission or, if expressly authorized by law, another Government Agency. Employee represents and warrants that Employee is the sole owner of any and all Released Claims that Employee may have, and that Employee has not assigned transferred, or otherwise disposed of Employee's right or interest in any Released Claim. Nothing in this Agreement prohibits or impairs Employee or Company from complying with all applicable laws, nor will

this Agreement be construed to obligated either party to commit (or aid or abet in the commission of) any unlawful act.

- 6. COMPANY PROPERTY.** Employee represents and warrants that Employee has returned to Company all Company property, including without limitation all files, memoranda, keys, credit cards, access cards, manuals, equipment (including laptop computers and cell phones), physical property, data, records, and other documents (including electronically recorded documents and data) that Employee received from the Released Parties or that generated in the course of employment with or service to Company. If Employee discovers that Employee possesses such property after the date of this Agreement, Employee will immediately return to Company such property and all copies of such property as recorded in any medium.

7. CONFIDENTIALITY; NONDISPARAGEMENT.

- (a) Employee will hold in strictest confidence and will not use, disclose, or give to others, either directly or indirectly, any Confidential Information of Company or its owners or affiliates. "Confidential Information" means trade secrets and all other information about Company or relating to the business of Company that is not generally available to the public and is deemed proprietary or confidential by Company, whether recorded or merely remembered. Confidential Information includes, but is not limited to, programs, compensation information, identity of customers, sources of finance or suppliers, market surveys, business or marketing plans, prospective business interests, contract terms, licenses, strategic information, procedures, financial information, and personnel information. Employee represents and warrants that Employee has not disclosed or revealed, either directly or indirectly, or used in any way Confidential Information, except as authorized by Company.
- (b) Employee agrees to keep the terms and conditions and consideration provided by this Agreement completely confidential, and has not and will not disclose such information to anyone other than Employee's spouse, legal counsel, and/or financial advisors, who will be informed of this confidentiality clause. Employee represents and warrants that Employee has complied in full with all provisions of this Section 7 since the time of receiving this Agreement.
- (c) Employee agrees not to disparage Company or any of the other Released Parties. For purposes of this paragraph, the term "disparage" includes, without limitation, written or oral comments or statements (including through social media, Facebook, Twitter, Instagram, etc.) that may reasonably be expected to have an adverse effect in any manner on: (a) Company or the conduct of Company's business; or (b) the business or professional reputation of Company's directors, officers, employees, or shareholders.
- (d) The obligations under this Section 7 are in addition to any obligations imposed under prior agreements, including the Employment Agreement, and under federal or state laws.

- 8. PROTECTED RIGHTS; NOTICE OF IMMUNITY.** Nothing in this Agreement (including Section 7) is intended to or does restrict or impede Employee from (a) making disclosures as may be required or protected by law or legal process, including in connection with a

government investigation or proceeding by any Government Agency, (b) disclosing Employee's salary, wages, or other compensation paid to Employee while employed by Company, (c) discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that you have reason to believe is unlawful, or (d) otherwise exercising protected rights to the extent that such rights cannot be waived by private agreement, or from complying with any applicable law, regulation, or valid order of a court of competent jurisdiction or an authorized Government Agency, provided that Employee's compliance does not exceed the requirements of such law, regulation, or order. Additionally, nothing in this Agreement is intended to or will be interpreted to conflict with the Defend Trade Secrets Act or create liability for disclosures allowed under that Act. Employee is hereby notified of the following provisions of 18 U.S.C. § 1833(b):

(1) IMMUNITY.—An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(2) USE OF TRADE SECRET INFORMATION IN ANTI-RETALIATION LAWSUIT.—An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual—(A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret except pursuant to court order.

9. CONSIDERATION AND REVOCATION PERIOD. Following delivery of this Agreement, Employee has 21 days to consider this Agreement, after which time the offer of this Agreement will expire and may no longer be accepted. Employee may accept this Agreement before the expiration of the 21-day consideration period, and, if Employee does so, by Employee's signature, Employee expressly acknowledges that Employee has knowingly and voluntarily chosen to sign this Agreement before the expiration of the 21-day consideration period. Employee agrees that subsequent changes to the consideration offered under this Agreement, if any, will not restart the running of the consideration period. If the 21-day consideration period expires before the Separation Date, Employee cannot sign this Agreement until the day immediately following the Separation Date and the offer of this Agreement will not expire before that day. Employee is hereby advised to review this Agreement with Employee's attorney before signing this Agreement. To accept, Employee must execute and deliver the Agreement to Company's CFO, Jeff Ishmael, by email to jishmael@intellicheck.com with the signed original to follow immediately via certified or regular U.S. Mail to ATTN: Jeff Ishmael, 200 Broadhollow Rd., Suite 207, Melville, NY 11747. Employee has a period of seven calendar days after delivering the executed Agreement to Company to revoke acceptance of the Agreement. To revoke, Employee must deliver a notice revoking Employee's acceptance to the CFO, Jeff Ishmael, in a manner described above, before the revocation period has expired. This Agreement will become effective upon the eighth day after delivery of this executed Agreement by Employee to Company, provided that Employee has not timely revoked this Agreement ("**Effective Date**").

10. ENTIRE AGREEMENT; AMENDMENT; CONSTRUCTION. This Agreement constitutes the entire understanding between Company, and Employee as relates to the subject matter of this Agreement and supersedes all other representations or agreements pertaining to such subject matter. Notwithstanding the foregoing, nothing in this Agreement supersedes or restricts any of Employee's existing obligations to Company or under other agreements between Employee and Company that survive the termination of Employee's employment (including the Employment Agreement and all Employee's obligations to protect the confidentiality of information of Company and to assign intellectual property rights to Company or otherwise protect Company's intellectual property and/or business interests), which remain in full force and effect. The Released Parties are considered third party beneficiaries under this Agreement. Nothing in this Agreement reflects any admission of liability by Company, Employee, or any of the Released Parties. This Agreement may not be altered, amended, modified, or otherwise changed in any respect except by another written agreement that specifically refers to this Agreement, executed by Employee and an authorized Company representative. This Agreement may be executed in any number of counterparts, each of which will constitute an original and all of which together will constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile, email in portable document format (.pdf), or by any other electronic means that preserves the original appearance of a document will have the same force and effect as execution of an original, and a copy of a signature will be equally admissible in any legal proceeding as if an original. The headings in this Agreement are for reference purposes only, are not part of this Agreement, and will not affect in any way the construction of, or be taken into consideration in interpreting, this Agreement. The words "include," "including," and similar terms used in the Agreement will be construed as if followed by the words "without limitation."

11. SEVERABILITY. Section 4 of this Agreement is integral to its purpose and may not be severed from this Agreement. If any other provision of this Agreement or compliance by any of the parties with any other provision of this Agreement is found to be unlawful or unenforceable, such provision will be deemed narrowed to the extent required to make it lawful and enforceable. If such modification is not possible, such provision will be severed from the Agreement and the remaining provisions will remain fully valid and enforceable to the maximum extent consistent with applicable law. To the extent any terms of this Agreement are put into question, all terms will be interpreted in a manner that would make them consistent with current law.


12. CHOICE OF LAW; ATTORNEYS' FEES. This Agreement will be governed by and interpreted under the laws of the state of California, excluding its choice of law rules. In the event of litigation arising out of this Agreement, the prevailing party will be entitled to an award of its costs and reasonable attorneys' fees, except with regard to a claim by Employee challenging the validity of this Agreement in connection with a claim under the Age Discrimination in Employment Act.

13. KNOWING AND VOLUNTARY AGREEMENT. Employee warrants and represents that:

- (a) Employee has carefully read this Agreement and finds that it is written in a manner that Employee understands;

- (b) Employee knows the contents of this Agreement;
- (c) Employee is and has been advised to consult with Employee's personal attorney before signing this Agreement and has done so or has knowingly and voluntarily waived the right to do so;
- (d) Employee understands that this Agreement is waiving any potential claims under the Age Discrimination in Employment Act and other discrimination statutes (except as provided in this Agreement);
- (e) Employee has been advised that Employee is not barred from filing or prosecuting a charge with any Government Agency with respect to any such claims or from participating in an investigation or proceeding conducted by any Government Agency;
- (f) Employee has had at least 21 days to review and analyze this Agreement and has been given seven days to revoke acceptance;
- (g) Employee did not rely upon any representation or statement concerning the subject matter of this Agreement, except as expressly stated in the Agreement;
- (h) Employee may not return this Agreement until the day after the Separation Date;
- (i) Employee understands the Agreement's final and binding effect; and
- (j) Employee has signed the Agreement as Employee's free and voluntary act.

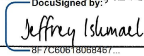
GARRETT GAFKE


Date 5/23/23

(Employee Address)

1700 Cotton St
Menlo Park, CA 94025

INTELLICHECK, INC.

By 
Chief Financial Officer
Its 5/25/2023

Date

Lawsuits, complaints, or charges (Section 5) are [include name, cause number and court or agency]:

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bryan Lewis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intellicheck, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15I and 15d-15I) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; 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 functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 14, 2023

/s/ Bryan Lewis

Name: Bryan Lewis

Title: President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey Ishmael, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intellicheck, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15I and 15d-15I) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; 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 functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 14, 2023

/s/Jeffrey Ishmael

Name: Jeffrey Ishmael

Title: Chief Financial Officer and Chief Operating Officer

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Intellicheck, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended June 30, 2023 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2023

/s/ Bryan Lewis

Name: Bryan Lewis

Title: President and Chief Executive Officer
(Principal Executive Officer)

Dated: August 14, 2023

/s/ Jeffrey Ishmael

Name: Jeffrey Ishmael

Title: Chief Financial Officer and Chief Operating Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.