

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-54545



**Ipsidy Inc.**

(Exact name of registrant as specified in its charter)

(Former Name of Registrant as Specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

46-2069547  
(I.R.S. Employer Identification No.)

780 Long Beach Boulevard  
Long Beach, New York  
11561  
(Address of principal executive offices) (zip code)

516-274-8700  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, 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, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", "non-accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer   
Non-accelerated filer   
(do not check if smaller reporting company)

Accelerated filer   
Smaller reporting company   
Emerging growth Company

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

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

Yes  No

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

Class	Outstanding at October 31, 2018
Common Stock, par value \$0.0001	476,416,957 shares
Documents incorporated by reference:	None



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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

- our lack of significant revenues and history of losses,
- our ability to continue as a going concern,
- our ability to raise additional working capital as necessary,
- our ability to satisfy our obligations as they become due,
- the failure to successfully commercialize our product or sustain market acceptance,
- the reliance on third party agreements and relationships for development of our business,
- the control exercised by our management,
- the impact of government regulation on our business,
- our ability to effectively compete,
- the possible inability to effectively protect our intellectual property, and
- the lack of a significant public market for our securities and the impact of the penny stock rules on trading in our common stock should a significant public market ever be established.

You should read thoroughly this report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements including those made in this report, in Part I. Item 1A. Risk Factors appearing in our Annual Report on Form 10-K for the year ended December 31, 2017 and our other filings with the Securities and Exchange Commission. Other sections of this report include additional factors which could adversely impact our business and financial performance. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

## OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, when used in this report the terms “Ipsidy,” the “Company,” “we,” “our,” “us,” and similar terms refer to Ipsidy Inc., a Delaware corporation formerly known as ID Global Solutions Corporation and its subsidiaries. As of February 1, 2017, the Company formally changed its name to Ipsidy Inc.

The information which appears on our website [www.ipsidy.com](http://www.ipsidy.com) is not part of this report.

## PART I – FINANCIAL INFORMATION

**IPSIDY INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2018	December 31, 2017
	(Unaudited)	
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 7,414,405	\$ 4,413,822
Accounts receivable, net	229,803	165,929
Current portion of net investment in direct financing lease	57,183	52,790
Inventory	128,022	492,030
Other current assets	278,911	218,537
Total current assets	<u>8,108,324</u>	<u>5,343,108</u>
Property and equipment, net	195,937	209,719
Other assets	1,294,931	1,243,531
Intangible assets, net	3,288,509	2,878,080
Goodwill	6,736,043	6,736,043
Net investment in direct financing lease, net of current portion	575,310	618,763
Total assets	<u>\$ 20,199,054</u>	<u>\$ 17,029,244</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,309,348	\$ 1,447,185
Capital lease obligation, current portion	29,989	27,420
Deferred revenue	438,085	122,511
Total current liabilities	<u>1,777,422</u>	<u>1,597,116</u>
Notes payable, net	1,826,208	2,375,720
Capital lease obligation, net of current portion	92,685	115,509
Total liabilities	<u>3,696,315</u>	<u>4,088,345</u>
Commitments and Contingencies (Note 13)		
Stockholders' Equity:		
Common stock, \$0.0001 par value, 1,000,000,000 shares authorized; 476,416,957 and 403,311,988 shares issued and outstanding as of September 30, 2018, and December 31, 2017, respectively	47,642	40,331
Additional paid in capital	90,023,340	79,053,339
Accumulated deficit	(73,778,695)	(66,407,622)
Accumulated comprehensive income	210,452	254,851
Total stockholders' equity	<u>16,502,739</u>	<u>12,940,899</u>
Total liabilities and stockholders' equity	<u>\$ 20,199,054</u>	<u>\$ 17,029,244</u>

See notes to condensed consolidated financial statements.

**IPSIDY INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<b>Revenues:</b>				
Products and services	\$ 684,640	\$ 589,576	\$ 3,014,374	\$ 1,695,737
Lease income	17,169	18,070	52,551	56,050
Total revenues, net	<u>701,809</u>	<u>607,646</u>	<u>3,066,925</u>	<u>1,751,787</u>
<b>Operating Expenses:</b>				
Cost of Sales	240,908	144,367	1,104,865	448,637
General and administrative	2,247,300	2,235,356	8,302,453	10,235,923
Research and development	13,154	6,278	38,845	63,116
Depreciation and amortization	125,781	99,779	349,921	346,313
Total operating expenses	<u>2,627,143</u>	<u>2,485,780</u>	<u>9,796,084</u>	<u>11,093,989</u>
Loss from operations	<u>(1,925,334)</u>	<u>(1,878,134)</u>	<u>(6,729,159)</u>	<u>(9,342,202)</u>
<b>Other Income (Expense):</b>				
Loss on derivative liability	—	—	—	(452,146)
Gain on extinguishment of note payable	—	—	—	2,802,234
Loss on modification of derivatives	—	—	—	(319,770)
Loss on modification of warrants	—	—	—	(158,327)
Loss on settlement of notes payable	—	—	—	(5,978,643)
Interest expense	(218,075)	(230,698)	(703,542)	(1,125,880)
Other income, net	1,198	—	78,932	—
Other expense, net	<u>(216,877)</u>	<u>(230,698)</u>	<u>(624,610)</u>	<u>(5,232,532)</u>
Loss before income taxes	<u>(2,142,211)</u>	<u>(2,108,832)</u>	<u>(7,353,769)</u>	<u>(14,574,734)</u>
Income Taxes	<u>(2,887)</u>	<u>(1,187)</u>	<u>(17,304)</u>	<u>(6,957)</u>
Net loss	<u>\$ (2,145,098)</u>	<u>\$ (2,110,019)</u>	<u>\$ (7,371,073)</u>	<u>\$ (14,581,691)</u>
Net loss per share - Basic	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>
Net loss per share - Diluted	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>
Weighted Average Shares Outstanding - Basic	<u>430,651,242</u>	<u>344,658,454</u>	<u>414,132,103</u>	<u>328,131,720</u>
Weighted Average Shares Outstanding - Diluted	<u>430,651,242</u>	<u>344,658,454</u>	<u>414,132,103</u>	<u>328,131,720</u>

See notes to condensed consolidated financial statements.

**IPSIDY INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Loss	\$ (2,145,098)	\$ (2,110,019)	\$ (7,371,073)	\$ (14,581,691)
Foreign currency translation gain (loss)	(41,669)	33,685	(44,399)	10,365
Comprehensive loss	<u>\$ (2,186,767)</u>	<u>\$ (2,076,334)</u>	<u>\$ (7,415,472)</u>	<u>\$ (14,571,326)</u>

See notes to condensed consolidated financial statements.

**IPSIDY INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**Nine Months Ended September 30, 2018**  
**(Unaudited)**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balances, December 31, 2017	403,311,988	\$ 40,331	\$ 79,053,339	\$ (66,407,622)	\$ 254,851	\$ 12,940,899
Issuance of common stock for cash	64,072,001	6,407	8,945,522	—	—	8,951,929
Restricted stock issued for services	3,470,000	347	179,083	—	—	179,430
Common stock issued for services	170,240	17	47,650	—	—	47,667
Stock-based compensation	—	—	1,798,285	—	—	1,798,285
Cashless exercise of common stock warrants	3,498,943	350	(350)	—	—	—
Cashless exercise of common stock options	1,122,233	112	(112)	—	—	—
Common stock issued for loan extension	1,500,000	150	(150)	—	—	—
Cancellation of shares in settlement of amounts due from prior acquisition	(728,448)	(73)	73	—	—	—
Net loss	—	—	—	(7,371,073)	—	(7,371,073)
Foreign currency translation	—	—	—	—	(44,399)	(44,399)
Balances, September 30, 2018	<u>476,416,957</u>	<u>\$ 47,642</u>	<u>\$ 90,023,340</u>	<u>\$ (73,778,695)</u>	<u>\$ 210,452</u>	<u>\$ 16,502,739</u>

See notes to condensed consolidated financial statements.



**IPSIDY INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Nine Months Ended September 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (7,371,073)	\$ (14,581,691)
Adjustments to reconcile net loss with cash used in operations:		
Depreciation and amortization expense	349,921	346,313
Stock-based compensation	1,798,285	4,891,251
Stock issued for services	227,097	140,151
Inventory reserve	348,308	—
Amortization of debt discount and debt issuance costs, net	450,488	793,061
Loss on derivative liability	—	452,146
Gain on settlement of notes payable	—	(2,802,234)
Loss on modification of derivatives	—	319,770
Loss on modification of warrants	—	158,327
Loss on conversion of debt	—	5,978,643
Changes in operating assets and liabilities:		
Accounts receivable	(78,166)	(75,806)
Net investment in direct financing lease	39,060	35,111
Other current assets	(60,374)	(41,459)
Inventory	4,000	(704,326)
Accounts payable and accrued expenses	(122,391)	319,814
Deferred revenue	315,574	(121,395)
Net cash flows from operating activities	<u>(4,099,271)</u>	<u>(4,892,324)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(52,715)	(11,392)
Investment in other assets including work in process	(745,253)	(921,780)
Net cash flows from investing activities	<u>(797,968)</u>	<u>(933,172)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of notes payable and common stock	—	3,000,000
Proceeds from the sale of common stock, net	9,610,793	4,002,000
Payment of debt issuance costs	(658,864)	(375,821)
Principal payments on capital lease obligations	(20,255)	(14,119)
Principal payments on notes payable	(1,000,000)	(59,819)
Net cash flows from financing activities	<u>7,931,674</u>	<u>6,552,241</u>
Effect of foreign currencies exchange on cash	<u>(33,852)</u>	<u>24,329</u>
Net change in Cash	3,000,583	751,074
Cash, Beginning of Period	4,413,822	689,105
Cash, End of Period	<u>\$ 7,414,405</u>	<u>\$ 1,440,179</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 157,750</u>	<u>\$ 11,021</u>
Cash paid for income taxes	<u>\$ 17,304</u>	<u>\$ 6,957</u>
<b>Non-cash Investing and Financing Activities:</b>		
Issuance of common stock for conversion of debt and related interest	<u>\$ —</u>	<u>\$ 21,609,673</u>
Issuance of common stock for debt issuance costs	<u>\$ —</u>	<u>\$ 224,460</u>
Reclassification of derivatives upon removal of price protection in warrants	<u>\$ —</u>	<u>\$ 7,614,974</u>
Reclassification of software development costs to intangible assets	<u>\$ 679,882</u>	<u>\$ —</u>
Acquisition of equipment due to a capital lease	<u>\$ —</u>	<u>\$ 163,407</u>

See notes to condensed consolidated financial statements.

**IPSIDY INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – BASIS OF PRESENTATION**

In the opinion of Management, the accompanying unaudited condensed consolidated financial statements are prepared in accordance with instructions for Form 10-Q, include all adjustments (consisting only of normal recurring accruals) which we considered as necessary for a fair presentation of the results for the periods presented. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for future periods or the full year.

The condensed consolidated financial statements include the accounts of Ipsidy Inc. and its wholly-owned subsidiaries, MultiPay S.A.S., ID Global LATAM, IDGS S.A.S., ID Solutions, Inc., FIN Holdings Inc., Ipsidy Enterprises Limited, and Cards Plus Pty Ltd. (collectively, the “Company”). All significant intercompany balances and transactions have been eliminated in consolidation.

***Going concern***

As of September 30, 2018, the Company had an accumulated deficit of approximately \$73.8 million. For the nine months ended September 30, 2018, the Company’s revenue aggregated approximately \$3.1 million and the Company incurred a loss from operations of approximately \$6.7 million.

The reports of our independent registered public accounting firm on our consolidated financial statements for the years ended December 31, 2017 and 2016 contained an explanatory paragraph regarding our ability to continue as a going concern based upon our net losses.

These unaudited condensed consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to meet its obligations and continue its operations for the next fiscal year. The continuation of the Company as a going concern is dependent upon financial support from the Company’s current shareholders, the ability of the Company to obtain additional equity or debt financing to continue operations, the Company’s ability to generate sufficient cash flows from operations, successfully locating and negotiating with other business entities for potential acquisition and /or acquiring new clients to generate revenues and cash flows.

There is no assurance that the Company will ever be profitable or be able to secure funding or generate sufficient revenues to sustain operations. As such, there is substantial doubt about the Company’s ability to continue as a going concern. These unaudited condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

***Net Loss per Common Share***

The Company computes net loss per share in accordance with FASB ASC 260, “Earnings per Share”. ASC 260 requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the statement of operations. Basic EPS is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible notes and stock warrants, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options, warrants and conversion of convertible notes. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive. The following potentially dilutive securities were excluded from the calculation of diluted loss per share for the three months ended September 30, 2018 and 2017 because their effect was antidilutive:

Security	2018	2017
Stock Options	105,950,000	104,500,000
Warrants	46,201,477	47,538,697
Total	152,151,477	151,588,697

### **Inventories**

Inventories of kiosks held by IDGS S.A.S are stated at the lower of cost (using the first-in, first-out method) or net realizable value. The kiosks provide electronic ticketing for transit systems. Inventory of plastic/ID cards, digital printing material, which are held by Cards Plus Pty Ltd., are at the lower of cost (using the average method) or market. The Plastic/ID cards and digital printing material are used to provide plastic loyal ID and other types of cards. Inventories at September 30, 2018 and December 31, 2017 consist of kiosks that were not placed into service which are held for sale at September 30, 2018 and cards inventory. As of September 30, 2018, the Company fully reserved the value of the kiosks down to estimated net realizable value of \$0.

### **Leases**

All leases are classified at the inception as direct finance leases or operating leases based on whether the lease transfers substantially all the risks and rewards of ownership.

Leases that transfer to the lessee substantially all the risks and rewards incidental to ownership of the asset are classified as direct finance leases.

### **Revenue Recognition**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (“Topic 606”). Topic 606 supersedes the revenue recognition requirements in ASU Topic 605, Revenue Recognition (“Topic 605”), and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the considerations to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 also includes Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers, which discusses the deferral of incremental costs of obtaining a contract with a customer, including the period of amortization of such costs. Collectively, we refer to Topic 606 and Subtopic 340-40 as the “new standard.” The new standard was adopted by the Company in our fiscal year beginning January 1, 2018.

The two permitted transition methods under the new standard are the full retrospective method, in which the new standard would be applied to each prior reporting period presented and the cumulative effect of applying the new standard would be recognized at the earliest period shown, or the modified retrospective method, in which the cumulative effect of applying the new standard would be recognized at the date of initial application. Based on our assessment, the impact of the new standard on our operations in prior periods is not significant. The following is the Company’s revenue recognition policy determined by revenue stream for its significant revenue generating activities through September 30, 2018.

**Cards Plus** - The Company recognizes revenue for the design and production of cards when products are shipped or services have been performed due to the short term nature of the contracts.

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

Identity Solutions Software – The Company recognizes revenue based on the identified performance obligations over the performance period for fixed consideration and for variable fees generated that are earned on a usage fee based over time based on monthly transaction volumes or on a monthly flat fee rate. The Company had a deferred revenue contract liability of approximately \$438,000 and \$123,000 as of September 30, 2018 and December 31, 2017, respectively, for certain revenue that will be earned in future periods. The \$123,000 of deferred revenue contract liability as of December 31, 2017, was earned in the nine months ended September 30, 2018. The deferred revenue relates to the service period of support services for two customers. As of September 30, 2018 the majority of the deferred revenue contract liability will be recognized over the next two quarters. We have allocated the selling price in the contract to one customer which has multiple performance obligations based on the contract selling price that we believe represents a fair market price for the service rendered.

In 2018, the Company introduced its new transaction platform and products as well as its pay for performance plan for both internal and external salesforce, that is based on a percentage of the benefit derived by the Company. For the three and nine months ended September 30, 2018, no revenues associated with these new platforms were recognized or required to be recognized as the services have not yet commenced.

The requirements under the new standard may impact future revenue and expenses recognition. One impact could be the accounting related to the capitalization and deferral of incremental commission and other costs of obtaining new contracts. We will defer direct and incremental commission as well as costs to obtain a contract and amortize those costs over the term of the related contract. As of September 30, 2018, there was a deferred commission of approximately \$7,000 related to future delivery of an identity solutions system and services.

We will review each new contract for the related performance obligations and related revenue and expense recognition implications. We expect that the revenues derived from the new product offerings could include multiple performance obligations. A performance obligation under the new revenue standard is defined as a promise to provide a “distinct” good or service to a customer. The Company has determined that one possible treatment under the new standard is that these services will represent a stand-ready series of distinct daily services that are substantially the same, with the same pattern of transfer to the customer. Further, the Company has determined that the performance obligation to provide account access and facilitate transactions may meet the criteria for the “as invoiced” practical expedient, in that the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company’s performance completed to date. As a result, the Company anticipates it may recognize revenue in the amount to which the Company has a right to invoice, based on completed performance at the relevant date. Additionally, the contracts could include implementation services, or support on an “as needed” basis and we will review each contract and determine whether such performance obligations are separate and distinct and apply the new standard accordingly to the revenue and expense derived from or related to each such service.

Additionally, the Company will capitalize the direct incremental costs of acquiring and fulfilling a contract with a customer if the Company expects to recover those costs. The direct incremental costs of acquiring and fulfilling a contract are those that the Company incurs to acquire and fulfill a contract with a customer that it would not have incurred if the contract had not been acquired (for example, a sales commission or specific incremental costs associated with the contract).

The Company capitalizes the costs incurred to acquire and fulfill a contract only if those costs meet all the following criteria:

- a. The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify.
- b. The costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- c. The costs are expected to be recovered.

The Company will capitalize contract acquisition and fulfillment costs related to signing or renewing contracts that meet the above criteria, which will be classified as contract cost assets in the Company’s Consolidated Balance Sheets.

Contract cost assets will be amortized using the straight-line method over the expected period of benefit beginning at the time revenue begins to be realized. The amortization of contract fulfillment cost assets associated with facilitating transactions will be recorded as cost of services in the Company's Consolidated Statements of Operations. The amortization of contract acquisition cost assets associated with sales commissions that qualify for capitalization will be recorded as selling, general and administrative expense in the Company's Consolidated Statements of Operations.

As of September 30, 2018, the Company had deferred contract costs, represented by contract cost assets of approximately \$22,000 which are included in other current assets for certain costs incurred for the future delivery of a biometric identity system and services. The performance obligation was principally met in the second quarter of 2018. Accordingly, the direct costs and the associated revenue were recognized in the second quarter of 2018.

Revenue related to direct financing leases is outside the scope of Topic 606 and is recognized over the term of the lease using the effective interest method.

#### **Recently Issued Accounting Pronouncements Not Yet Adopted**

In February 2016, the FASB issued ASU No. 2016-02 (Topic 842). Topic 842 amends a number of aspects of lease accounting, including requiring lessees to recognize leases with a term greater than one year as a right-of-use asset and corresponding liability, measured at the present value of the lease payments. In July 2018, the FASB issued supplemental adoption guidance and clarification to Topic 842 within ASU 2018-10 "Codification Improvements to Topic 842, Leases" and ASU 2018-11 "Leases (Topic 842): Targeted Improvements." The new guidance aims to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. A modified retrospective application is required with an option to not restate comparative periods in the period of adoption. This guidance is effective for the Company on January 1, 2019 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements, which will consist primarily of a balance sheet gross up of its operating leases to show equal and offsetting right-of-use assets and lease liabilities. The Company anticipates using the practical expedients that are included in the guidance for existing operating leases which allows a waiver of lease assessment of their respective classification under the new standard. The Company would adopt the requirements of the new standard as new arrangements are executed or as required.

On June 20, 2018, the FASB issued ASU 2018-07,1 which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. Currently, share-based payment arrangements to employees are accounted for under ASC 718,3 while nonemployee share-based payments issued for goods and services are accounted for under ASC 505-50. Before the amendment, the major (but not the only) difference for the Company was the determination of measurement date which generally is the date on which the measurement of equity classified share-based payments becomes fixed. Equity classified share-based payments for employees was fixed at the time of grant and nonemployee share based payments. Equity-classified nonemployee share-based payment awards are no longer measured at the earlier of the date which a commitment for performance by the counterparty is reached or the date at which the counterparty's performance is complete. They are now measured at the grant date of the award which is the same as share-based payments for employees.

**NOTE 2 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following as of September 30, 2018 and December 31, 2017:

	2018	2017
Computers and equipment	\$ 215,071	\$ 179,351
Furniture and fixtures	156,867	156,867
	<u>371,938</u>	<u>336,218</u>
Less Accumulated depreciation	176,001	126,499
Property and equipment, net	<u>\$ 195,937</u>	<u>\$ 209,719</u>

Depreciation expense totaled \$49,502 and \$48,191 for the nine months ended September 30, 2018 and 2017, respectively.

**NOTE 3 – OTHER ASSETS**

The Company's other assets consist of software being developed for new product offerings that have not been placed into service. Other assets consisted of the following at September 30, 2018 and December 31, 2017:

	2018	2017
Software and development	\$ 1,198,445	\$ 1,139,409
Other	96,486	104,122
	<u>\$ 1,294,931</u>	<u>\$ 1,243,531</u>

During the quarter ended September 30, 2018, approximately by \$680,000 of software and development costs were placed into service. As a result, they have been reclassified to internally developed software (included in intangible assets) and being amortized over a 5 year period.

**NOTE 4 – INTANGIBLE ASSETS, NET (OTHER THAN GOODWILL)**

The Company's intangible assets consist of intellectual property acquired from MultiPay and FIN and are amortized over their estimated useful lives as indicated below. The following is a summary of activity related to intangible assets for the nine months ended September 30, 2018:

	Customer Relationships	Internally Developed Software	Intellectual Property	Non-Compete	Patents Pending	Total
Useful Lives	10 Years	5 Years	10 Years	10 Years	N/A	
Carrying Value at December 31, 2017	\$ 1,287,450	\$ —	\$ 1,556,934	\$ 5,250	\$ 28,446	\$ 2,878,080
Additions	—	679,882	—	—	30,966	710,848
Amortization	(119,037)	(16,995)	(162,274)	(2,113)	—	(300,419)
Carrying Value at September 30, 2018	<u>\$ 1,168,413</u>	<u>\$ 662,887</u>	<u>\$ 1,394,660</u>	<u>\$ 3,137</u>	<u>\$ 59,412</u>	<u>\$ 3,288,509</u>

The following is a summary of intangible assets as of September 30, 2018:

	Customer Relationships	Internally Developed Software	Intellectual Property	Non-Compete	Patents Pending	Total
Cost	\$ 1,587,159	\$ 679,882	\$ 2,146,561	\$ 14,087	\$ 59,412	\$ 4,487,101
Accumulated amortization	(418,746)	(16,995)	(751,901)	(10,950)	—	(1,198,592)
Carrying Value at September 30, 2018	<u>1,168,413</u>	<u>\$ 662,887</u>	<u>\$ 1,394,660</u>	<u>\$ 3,137</u>	<u>\$ 59,412</u>	<u>\$ 3,288,509</u>

Future expected amortization of intangible assets is as follows:

Fiscal Year Ending December 31,	
Remainder of 2018	\$ 129,280
2019	513,489
2020	506,549
2021	504,735
2022	494,433
Thereafter	1,140,023
	<u>\$ 3,288,509</u>

#### NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following as of September 30, 2018 and December 31, 2017:

	2018	2017
Trade payables	\$ 357,720	\$ 232,842
Accrued interest	346,667	275,000
Accrued payroll and related obligations	243,512	468,012
Other accrued expenses	361,449	471,331
Total	<u>\$ 1,309,348</u>	<u>\$ 1,447,185</u>

#### NOTE 6 - NOTES PAYABLE, NET

The following is a summary of notes payable as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
In January 2017, the Company issued a Senior Unsecured Note (“Note”) a face value of \$3,000,000, payable two years from issuance, along with an aggregate of 4,500,000 shares of Common Stock, with a fair value of \$1,147,500. The Company allocated the proceeds to the common stock based on their relative fair value and recorded a discount of \$830,018 to be amortized into interest expense over the two-year term of the note. The Company also paid debt issuance costs consisting of a cash fee of \$120,000 and 1,020,000 shares of common stock of the Company with a fair value of \$306,000. On April 30, 2018, the Company and the noteholder agreed to extend the due date of the Note until April 30, 2020 in consideration of 1,500,000 shares of the Common Stock issued to the noteholder. The April 2018 change in the terms of this Note payable has been determined to be a debt extinguishment in accordance with ASC 470. The reported amounts under the debt extinguishment are not significantly different than that of the Company’s reported amounts. See below.	\$ 2,000,000	\$ 3,000,000
Total Principal Outstanding	\$ 2,000,000	\$ 3,000,000
Unamortized Deferred Debt Discount	(126,927)	(168,345)
Unamortized Deferred Debt Issuance Costs	(46,865)	(455,935)
Notes Payable, Net	<u>\$ 1,826,208</u>	<u>\$ 2,375,720</u>

On August 9, 2018, the Company repaid \$1,000,000 of principal of the \$3,000,000 Note held by the Stern Trust plus the related accrued interest of approximately \$158,000. Additionally, the Company recorded approximately \$96,000 of additional amortization of Deferred Debt Discount and Debt Issuance Costs in connection with the payment of principal.

The following is a roll-forward of the Company's notes payable and related discounts for the nine months ended September 30, 2018:

	Principal Balance	Debt Issuance Costs	Debt Discounts	Total
Balance at December 31, 2017	\$ 3,000,000	\$ (168,345)	\$ (455,935)	\$ 2,375,720
Payments	(1,000,000)	—	—	(1,000,000)
Amortization	—	121,480	329,008	450,488
Balance at September 30, 2018	<u>\$ 2,000,000</u>	<u>\$ (46,865)</u>	<u>\$ (126,927)</u>	<u>\$ 1,826,208</u>

#### NOTE 7 – RELATED PARTY TRANSACTIONS

##### *Amount Due Officer and Director*

In November 2016, the Company issued a note payable for \$13,609 to one of its Board of Directors and was outstanding at March 31, 2017. The note was repaid in April 2017.

##### *Notes Payable*

In February 1, 2017, the Company issued to the Stern Trust a Senior Unsecured Note with a face value of \$3,000,000, payable over two years from issuance along with an aggregate of 4,500,000 shares of Common Stock with a fair value of \$1,147,500 (Note 6). Theodore Stern, a director of the Company, is the trustee of the Stern Trust. On August 9, 2018, the Company prepaid \$1,000,000 of principal of the \$3,000,000 Note plus the related accrued interest of approximately \$158,000. During the three and nine months ended September 30, 2018, the Company recorded approximately \$67,000 and \$229,000 of interest expense under the terms and conditions of the Note. Additionally, the Company and the Stern Trust agreed to extend the due date of the note until April 30, 2020 for an extension fee of 1,500,000 shares of Common Stock at a fair market value of \$420,000. The April 2018 change in the term of this note payable has been determined to be a debt extinguishment in accordance with ASC 470. The reported amounts under the debt extinguishment are not significantly different than that of the Company reported amounts.

##### *Purchase of Common Stock*

In August 2018, Mr. Stern and Mr. Selzer, directors of the Company, purchased an additional 6,666,667 and 666,667 shares of common stock, respectively, of the latest offering as described in Note 8.

##### *Other*

In connection with the latest offering of common stock, the Company incurred fees to Network 1 Financial Securities, Inc. ("Network 1"), a registered broker-dealer. The Network 1 fees and expenses comprise of approximately \$659,000 paid in cash and approximately 2,470,000 common stock purchase warrants exercisable at a price of \$0.165 cents per share that expires in 5 years. The approximate fair market value of the warrants granted was \$314,000. A member of the Company's Board of Director's previously maintained a partnership with a key principal of Network 1.



## NOTE 8 – STOCKHOLDER’S EQUITY

### Common Stock

During the nine months ended September 30, 2018, the Company granted 720,000 shares of restricted stock to the non-employee Directors in connection with their compensation to serve as Board Members. The shares were valued at the fair value at the date of grant and vest quarterly. Additionally, during the nine months ended September 30, 2018, the Company granted 2,750,000 shares of restricted stock to employees of which 2,000,000 will be vested upon achieving certain performance criteria and 750,000 will vest over a three-year period. The Company also issued 170,240 shares of common stock to a service provider in satisfaction of \$32,213 due for services.

During the nine months ended September 30, 2018, investors exercised 4,433,333 warrants at an average price of \$0.05 cents per share on a cashless exercise basis in exchange for shares of common stock of the Company.

During the nine months ended September 30, 2018, the Company cancelled 728,448 shares of common stock in settlement of amounts due from the Multipay acquisition.

In August 2018, the Company entered into Subscription Agreements with accredited investors (the “August 2018 Accredited Investors”) pursuant to which the August 2018 Accredited Investors purchased an aggregate of approximately 64,072,000 shares of the Company’s common stock for an aggregate purchase price of approximately \$9,611,000. In connection with this private offering, the Company paid Network 1, a registered broker-dealer, a cash fee of approximately \$629,000 and will issue approximately 2,470,000 common stock purchase warrants valued at approximately \$314,000 that are exercisable for a term of five years at an exercise price of \$0.165 per share.

### Warrants

The following is a summary of the Company’s warrant activity for the nine months ended September 30, 2018:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding at December 31, 2017	48,164,543	\$ 0.08	2.9 Years
Granted	2,470,267	0.16	4.9 Years
Exercised	(4,433,333)	\$ 0.05	—
Outstanding at September 30, 2018	<u>46,201,477</u>	<u>\$ 0.09</u>	<u>2.1 Years</u>

### Stock Options

During the nine months ended September 30, 2018, the Company granted options to acquire 5,250,000 shares of common stock to five employees and one non-employee of which 3,250,000 options are exercisable at an average price of \$0.22 per share and 2,000,000 are exercisable at \$0.25 per share. The options have a term of ten years, were granted at fair market value at the date of grant, and vest over three years. The grant date fair value of the options totaled approximately \$792,000, which will be charged to expense over the three-year vesting term of which approximately \$231,000 was related to non-employees.

The Company determined the grant date fair value of the options granted during the nine months ended September 30, 2018 using the Black Scholes Method and the following assumptions:

Expected Volatility – 77-78%  
 Expected Term – 6.5 Years  
 Risk Free Rate – 2.4-2.7%  
 Dividend Rate – 0.00%

Activity related to stock options for the three months ended September 30, 2018 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (Yrs.)	Aggregate Intrinsic Value
Outstanding as of December 31, 2017	103,208,331	\$ 0.19	8.3	\$ 11,457,291
Granted	5,250,000	\$ 0.24	10.0	\$ —
Forfeitures	—	—	—	—
Exercised	(2,508,331)	0.15	—	296,176
Outstanding as of September 30, 2018	105,950,000	0.20	7.96	\$ 10,638,500
Exercisable as of September 30, 2018	90,005,553	\$ 0.21	7.86	\$ 9,432,500

The following table summarizes stock option information as of September 30, 2018:

Exercise Prices	Outstanding	Weighted Average Contractual Life (Yrs.)	Exercisable
\$0.00	3,500,000	7.00	3,500,000
\$0.05	33,450,000	7.86	28,033,331
\$0.10	27,200,000	8.00	23,172,219
\$0.13	250,000	9.05	—
\$0.15	2,800,000	7.10	2,800,000
\$0.22	2,750,000	9.30	—
\$0.25	2,500,000	9.03	500,000
\$0.26	500,000	9.55	—
\$0.29	1,000,000	8.55	—
\$0.40	1,000,000	7.67	1,000,000
\$0.45	31,000,000	7.10	31,000,000
Total	105,950,000	7.70	90,005,553

During the nine months ended September 30, 2018, the Company recognized approximately \$1,798,000 of stock-based compensation expense related to options of which non-employees expense was approximately \$331,000. As of September 30, 2018, there was approximately \$1,907,000 of unrecognized compensation costs related to stock options outstanding of which approximately \$462,000 was related to non-employees and will be expensed through 2021.

## Restricted Stock

During the nine months ended September 30, 2018, the Company granted 2,750,000 shares of restricted stock to employees of which 2,000,000 shares will be vested by upon achieving certain performance criteria and 750,000 common shares will vest over a three-year period. The restricted stock that is not subject to performance criteria will be expensed over the three-year vesting period was valued at the fair market value at the date of grant. Additionally, in the nine months ended September 30, 2018, the Company granted 720,000 shares of restricted stock to non-employee Directors in connection with their compensation to serve as Board Members. The shares were valued at the fair market value at the date of grant and vest quarterly.

## NOTE 9 – DIRECT FINANCING LEASE

In September 2015, the Company and an entity in Colombia entered into a rental contract for the rental of 78 kiosks to provide cash collection and fare services at transportation stations. The lease term began in May 2016 when the kiosk was installed and operational and when the lease commenced. The term of the rental contract is ten years at an approximate monthly rental of \$11,900. The lease has the option at the end of the lease term to purchase each unit for approximately \$40. The term of the lease approximates the expected economic life of the kiosks. The lease was accounted for as a direct financing lease.

The Company has recorded the transaction as its net investment in the lease and will receive monthly payments of \$11,856 before estimated executory costs, or \$142,272, annually, to reduce investment in the lease and record income associated with the related amount due. Executory costs are estimated to be \$1,677 month and initial direct costs are not considered significant. The transaction resulted in revenue in the quarter and nine months ended September 30, 2018 of approximately \$17,000 and \$53,000.

The equipment is subject to direct lease valued at approximately \$748,000. At the inception of the lease term, the aggregate minimum future lease payments to be received is approximately \$1,422,000 before executory cost. Unearned income is recorded at the inception of this lease was approximately \$474,000 and will be recorded over the term of the lease using the effective income rate method. Future minimum lease payments to be received under the lease for the next five years and thereafter are as follows:

Remainder of 2018	\$	30,537
2019		122,148
2020		122,148
2021		122,148
2022		122,148
Thereafter		407,160
Sub-total		<u>926,289</u>
Less deferred revenue		<u>(293,796)</u>
Net investment in lease	\$	<u>632,493</u>

## NOTE 10 – LEASE OBLIGATION PAYABLE

The Company entered into a lease in March 2017 for the rental of its printer for its secured plastic and credential card products business under an arrangement that is classified as a capital lease. The leased equipment is amortized on a straight-line basis over its lease term including the last payment (61 payments) which would transfer ownership to the Company. Total amortization related to the lease equipment as of September 30, 2018 is \$50,897. The following is a schedule showing the future minimum lease payments under capital lease by year and the present value of the minimum lease payments as of September 30, 2018. The interest rate related to the lease obligation is 12% and the maturity date is March 31, 2022.

Year Ending	
Remainder of 2018	\$ 10,774
2019	43,096
2020	43,096
2021	43,096
Thereafter	10,775
Total minimum lease payments	150,837
Less: Amount representing interest	(28,163)
Present value of minimum lease payments	<u>\$ 122,674</u>

## NOTE 11 – COMMITMENTS AND CONTINGENCIES

### *Legal Matters*

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

## NOTE 12 – SEGMENT INFORMATION

### **General information**

The segment and geographic information provided in the table below is being reported consistent with the Company's method of internal reporting. Operating segments are defined as components of an enterprise for which separate financial information is available and which is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. The CODM regularly reviews net revenue and gross profit by geographic regions. The Company's products and services operate in two reportable segments; identity management and payment processing.

### **Information about revenue, profit/loss and assets**

The CODM evaluates performance and allocates resources based on net revenue and operating results of the geographic region as the current operations of each geography are either primarily identity management or payment processing. Identity management revenue is generated in North America and Africa and payment processing is earned in South America which are the three geographic regions of the Company. We have included the lease income in payment processing are the leases are related to unattended ticking kiosks.

Long lived assets are in North America, South America and Africa. Most assets are intangible assets recorded from the acquisition of MultiPay (South America) in 2015 and FIN Holdings (North America and Africa) in 2016. Assets for North America, South America and Africa amounted to approximately \$7.5 million, \$0.8 million and \$2.1 million, respectively, of which \$4.9 million, \$0.1 million and \$1.71 million related to goodwill as of September 30, 2018.

Analysis of revenue by segment and geographic region and reconciliation to consolidated revenue, gross profit, and net loss are provided below. The Company has included in the schedule below an allocation of corporate overhead based on management's estimate of resource requirements.

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
<b>Net Revenues:</b>				
North America	\$ 217,184	\$ 130,047	\$ 1,717,881	\$ 380,280
South America	100,257	90,888	295,743	334,432
Africa	384,368	386,711	1,053,301	1,037,075
	<u>701,809</u>	<u>607,646</u>	<u>3,066,925</u>	<u>1,751,787</u>
Identity Management	601,552	516,758	2,771,182	1,417,355
Payment Processing	100,257	90,888	295,743	334,432
	<u>701,809</u>	<u>607,646</u>	<u>3,066,925</u>	<u>1,751,787</u>
<b>Loss From Operations</b>				
North America	(566,507)	(658,419)	(1,180,436)	(2,428,744)
South America	(1,365,614)	(1,130,917)	(4,973,078)	(5,990,828)
Africa	6,787	(88,798)	(575,645)	(922,630)
	<u>(1,925,334)</u>	<u>(1,878,134)</u>	<u>(6,729,159)</u>	<u>(9,342,202)</u>
Identity Management	(559,720)	(747,217)	(1,756,081)	(3,351,374)
Payment Processing	(1,365,614)	(1,130,917)	(4,973,078)	(5,990,828)
	<u>(1,925,334)</u>	<u>(1,878,134)</u>	<u>(6,729,159)</u>	<u>(9,342,202)</u>
Interest Expense	(218,075)	(230,698)	(703,542)	(1,125,880)
Other income/(expense)	1,198	—	78,932	(4,106,652)
Loss before income taxes	<u>(2,142,211)</u>	<u>(2,108,832)</u>	<u>(7,353,769)</u>	<u>(14,574,734)</u>
Income tax expense	(2,887)	(1,187)	(17,304)	(6,957)
Net loss	<u>\$ (2,145,098)</u>	<u>\$ (2,110,019)</u>	<u>\$ (7,371,073)</u>	<u>\$ (14,581,691)</u>

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

### Going concern

As of September 30, 2018, the Company had an accumulated deficit of approximately \$73.8 million. For the nine months ended September 30, 2018 the Company earned revenue of approximately \$3.1 million and incurred a loss from operations of approximately \$6.7 million. See NOTE 8, Stockholder's Equity and Liquidity and Capital Resources below regarding the Company's equity funding round in August 2018 for approximately \$9.6 million.

The reports of our independent registered public accounting firms on our consolidated financial statements for the years ended December 31, 2017 and 2016 contained an explanatory paragraph regarding our ability to continue as a going concern based upon our net losses.

These unaudited condensed consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to meet its obligations and continue its operations for the next fiscal year. The continuation of the Company as a going concern is dependent upon financial support from the Company's current shareholders, the ability of the Company to obtain additional equity financing to continue operations, the Company's ability to generate sufficient cash flows from operations, successfully locating and negotiating with other business entities for potential acquisition and /or acquiring new clients to generate revenues and cash flows.

There is no assurance that the Company will ever be profitable or be able to secure funding or generate sufficient revenues to sustain operations. As such, there is substantial doubt about the Company's ability to continue as a going concern. These unaudited condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

### Overview

Ipsidy Inc. (formerly known as ID Global Solutions Corporation) together with its subsidiaries (the "Company", "we" or "our"), is a provider of secure, biometric identification, identity management and electronic transaction processing services. In a world that is increasingly digital and mobile, our vision is to enable solutions that provide pre-transaction verification of identity as well as embed identity verification within every electronic transaction message processed through our platform, or other electronic systems.

We are building upon our existing capabilities in biometric identification and multi-factor identity management solutions to develop an identity transaction platform for our business customers. The platform has been designed to enable the end users of our business customers to more easily authenticate their identity to a mobile phone or portable device of their choosing (as opposed to dedicated hardware). The existing system enables participants to complete transactions with a digitally signed authentication response, including the underlying transaction data and embedded attributes of the participant's identity.

We believe that it is essential that businesses and consumers know who is on the other side of an electronic transaction and have an audit trail, proving that the identity of the other party was duly verified. We are therefore developing solutions intended to provide our customers with the next level of transaction security, control and certainty. Our platform has been developed to use biometric and multi-factor identity management solutions, which are intended to support a wide variety of electronic transactions. We define "electronic transactions" in the broadest sense to include not only financial transactions (i.e. exchanges of value in all of their forms), and legal transactions (e.g. approving the release of personal or other confidential data or the execution of documents), but also access control to physical environments (for example border crossings and secure areas at offices, data centers and other sensitive locations) and digital environments (e.g. accessing account information, voting systems, email systems and controlling data network log-ins).

The Company's products currently focus on the broad requirement for identity, access and transaction verification and associated identity management needs and the requirement for cost-effective and secure mobile electronic payment solutions for institutions and their customers. We aim to offer our customers solutions that can be integrated into each customer's business operations in order to facilitate their use and enhance the end user customer experience.

Our digital mobile wallet applications, or electronic account holder are used to contain different services and accounts that can be easily added and enable users to conveniently and securely effect a variety of electronic transactions, using their identity. One example is our closed-loop payment account, digital issuance platform, that is intended to offer secure and cost-effective methods of conversion of cash and paper to electronic payments. Once it is implemented, consumers accessing this system, using their mobile phones, electronic devices, or smart card payment tokens will be able to participate in the digital economy thereby facilitating financial inclusion for the un-banked and under banked population around the globe. Another example is for consumers and employees to use their mobile application to verify identity, in order to access secure digital, or physical environments. Earlier this year, we moved from a pilot launch of the Ipsidy Access solution to a production roll-out using our IDLok authentication service providing access control to commercial, multi-tenanted buildings. We also recently announced the implementation of our verified, multi-factor authentication solution for banks by Datapro and Un-bank.

Management believes that some of the advantages of the Company's Transaction Platform approach are the ability to leverage the platform to support a variety of vertical markets including the identity management and transaction processing sectors and the adaptability of the platform to the requirements of new markets and new products requiring low cost, secure, and configurable mobile solutions. These vertical markets include but are not limited to elections, border security, public safety, public transportation, enterprise security, payment transactions and banking. The Company believes that the various technologies that the Company is developing and has acquired can be combined into a unified offering. At its core, this offering is intended to facilitate the processing of diverse electronic transactions, be they payments, votes, or physical or digital access, all of which can include identity management, verification and identity transaction recording.

The Company's solutions for fingerprint based identity management and electronic payment transaction processing are in the market today. For example, in December 2017, we won an international competitive tender to provide our IDSearch Automated Fingerprint Identification de-duplication system (AFIS) to the Zimbabwe Electoral Commission, or ZEC for them to ensure that no duplicate entries exist in the voter roll for the recent election. The contract has been substantially executed and represents the majority of the Company's revenue for the nine months ended September 30, 2018. We are still in the process of integrating the technologies, which we have developed internally with those we have acquired and thereby creating combined solutions intended to better service our target markets. The Company continues to invest in developing, patenting and acquiring the various elements necessary to complete the platform, which is intended to allow us to achieve our goals. The Company expects additional financing in the future could be required and the amount would be dependent on current operations, future investment and the execution of our business plan.

The Company's solutions for fingerprint based identity management and electronic payment transaction processing are in the market today. For example, in December 2017, we won an international competitive tender to provide our IDSearch Automated Fingerprint Identification de-duplication system (AFIS) to the Zimbabwe Electoral Commission, or ZEC for them to ensure that no duplicate entries exist in the voter roll for the recent election. The contract has been substantially executed and represents the majority of the Company's revenue for the nine months ended September 30, 2018. We are still in the process of integrating the technologies, which we have developed internally with those we have acquired and thereby creating combined solutions intended to better service our target markets. The Company continues to invest in developing, patenting and acquiring the various elements necessary to complete the platform, which is intended to allow us to achieve our goals. The Company expects additional financing in the future could be required and the amount would be dependent on current operations, future investment and the execution of our business plan. There is no assurance the Company will be successful in obtaining additional financing, if needed.

The Company was incorporated in the State of Delaware on September 21, 2011 and changed its name to Ipsidy Inc. on February 1, 2017, and our common stock is traded on the OTCQX tier of OTC Markets under the trading symbol "IDTY". Our corporate headquarters is located at 780 Long Beach Blvd., Long Beach, NY 11561 and our main phone number is 516-274-8700. We maintain a website at [www.ipsidy.com](http://www.ipsidy.com). The contents of our website are not incorporated into, or otherwise to be regarded as part of, this Quarterly Report on Form 10-Q

### **Adjusted EBITDA**

This discussion includes information about Adjusted EBITDA that is not prepared in accordance with GAAP. Adjusted EBITDA is not based on any standardized methodology prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies. A reconciliation of this non-GAAP measure is included below.

Adjusted EBITDA is a non-GAAP financial measure that represents GAAP net income (loss) adjusted to exclude (1) interest expense, (2) interest income, (3) provision for income taxes, (4) depreciation and amortization, (5) stock-based compensation expense (stock options and restricted stock) (6) certain other items management believes affect the comparability of operating results.

Management believes that Adjusted EBITDA, when viewed with our results under GAAP and the accompanying reconciliations, provides useful information about our period-over-period results. Adjusted EBITDA is presented because management believes it provides additional information with respect to the performance of our fundamental business activities and is also frequently used by securities analysts, investors and other interested parties in the evaluation of comparable companies. We also rely on Adjusted EBITDA as a primary measure to review and assess the operating performance of our company and our management, and it will be a focus as we invest in and grow the business. Additionally, we will be using Adjusted EBITDA in connection with our executive performance-based compensation in 2018.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, analysis of our results as reported under GAAP. Some of these limitations are:

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net loss	\$ (2,145,098)	\$ (2,110,019)	\$ (7,371,073)	\$ (14,581,691)
Add Back:				
Interest Expense	218,075	230,698	703,542	1,125,880
Conversion of debt, derivative liability, and modifications/other	(1,198)	—	(78,932)	4,106,652
Depreciation and amortization	125,781	99,779	349,921	346,313
Taxes	2,887	1,187	17,304	6,957
Stock compensation	684,468	624,581	1,977,368	4,891,251
Adjusted EBITDA (Non-GAAP)	<u>\$ (1,115,085)</u>	<u>\$ (1,153,774)</u>	<u>\$ (4,401,870)</u>	<u>\$ (4,104,638)</u>

Adjusted EBITDA loss for the nine months ended September 30, 2018 increased approximately \$0.3 million principally due to increased investment in salary and technology expense as the Company expanded its infrastructure to support future operations, in addition to incurring a charge of \$0.5 million recorded principally for a valuation reserve related to kiosks, offset by the revenue earned from the sale of our AFIS and Identity Management system to ZEC.



## Three Months and Nine Months Ended September 30, 2018 and September 30, 2017

### Revenues, net

During the three and nine months ended September 30, 2018, the Company had revenues of approximately \$0.7 million and \$3.1 million compared to \$0.6 million and \$1.8 million in the three and nine months ended September 30, 2017. The increase in the three and nine months ended September 30, 2018 was principally due to the revenue recognized under the contract for the AFIS system and services for ZEC.

During the nine months ended September 30, 2018, the Company had revenues from operations in North America, South America and Africa was \$1.7 million, \$0.3 million and \$1.1 million, respectively, compared to \$0.4 million, \$0.4 million, \$1.0 million, respectively in the nine months ended September 30, 2017. The services for the revenue for ZEC was performed by the North American team.

### Cost of sales

During the three and nine months ended September 30, 2018, cost of sales was higher than the cost of sales in the three months and nine months ended September 30, 2017 principally due to the costs associated with the delivery of services and systems for the ZEC. Cost of sales percentage was lower as a percentage of revenue for Cards Plus as production efficiency improved following the installation of new equipment which was placed into service in 2017.

### Operating Expenses

During the three-month period ended September 30, 2018 compared to September 30, 2017, general and administrative expense increased by approximately \$0.1 million due to an expansion of technology and sales teams. In the nine months ended September 30, 2018 compared to September 30, 2017, general and administrative expenses decreased by approximately \$2.0 million principally due to lower stock compensation charges offset by the increased costs for valuation reserves (principally kiosks) of \$0.5 million as well as the investment in technology and sales. Stock compensation charges were \$0.7 million and \$2.0 million in the three and nine months respectively, ended September 30, 2018 compared to \$0.6 million and \$4.9 million in the three and nine months ended September 30, 2017 respectively.

Depreciation and amortization expense remained consistent in the three and nine months ended September 30, 2018 compared to the three and nine months ended September 30, 2017.

### Other Income (Expense)

### Derivative Liability

During the first three months of 2017, the Company performed valuations of the existing liability at the applicable dates as these convertible debentures terms and conditions were modified and/or eliminated because of the Company's elimination and repayment of certain existing obligations as of January 31, 2017. In the first three months of 2017, the Company recorded an expense of (\$0.6 million) due to these valuations, a gain on the settlement of outstanding indebtedness \$2.8 million and a loss on the modification of derivatives of (\$0.3 million)

As a result of the conversion and repayment of the outstanding indebtedness and related accrued interest as well as the elimination of anti-dilution rights of Stock Purchase Warrants, the Company after the first quarter of 2017 does not have any additional income statement benefit or charge, related to the derivative liability.

### Interest expense

Interest expense decreased in the nine months ended September 30, 2018 principally due to the debt for equity conversion on January 31, 2017 which lowered the level of total debt outstanding.

## **Liquidity and Capital Resources**

Liquidity is the ability of a company to generate sufficient cash to satisfy its needs for cash. As of September 30, 2018, the Company had approximately \$7.4 million of cash and had net working capital \$6.3 million.

The Company realized incremental revenue and cash in the second quarter of 2018 from the delivery of the Automated Fingerprint Identification System and services to ZEC. The levels of revenue and cash realized in the second quarter of 2018 was not repeated in the third quarter of 2018. However, the Company is in the process launching new product offerings with the goal of generating additional revenue and cash flow.

Cash used in operating activities was approximately \$4.1 million and \$4.9 million in the nine months ended September 30, 2018 and September 30, 2017, respectively. The reduction in cash used principally related to the cash flow from the products and services delivered to ZEC.

In August, 2018, the Company entered into Subscription Agreements with accredited investors (the "August 2018 Accredited Investors") pursuant to which the August 2018 Accredited Investors purchased an aggregate of approximately 64.1 million shares of Common Stock at \$0.15 per share for an aggregate purchase price of \$9.6 million. The Theodore Stern Revocable Trust (the "Stern Trust") invested \$1 million in this round. Mr. Theodore Stern is a director of the Company, is the trustee of the Stern Trust.

On August 9, 2018, the Company prepaid \$1,000,000 plus accrued interest (approximately \$158,000) of the \$3,000,000 Senior Unsecured Note dated February 1, 2017 held by the Stern Trust.

The Company expects additional financing in the future could be required and the amount would be dependent on current operations, future investment and the execution of our business plan. We do not have any formal commitments or arrangements for the sales of stock or the advancement or loan of funds except for the fund raise noted below. There can be no assurance that such additional financing will be available to us on acceptable terms, or at all. Our failure to obtain financing could have a material adverse effect on the organization.

In the first quarter of 2017, the Company raised \$7.0 million of additional financing. On February 1, 2017, the Company entered into and closed a Securities Purchase Agreement with the Stern Trust pursuant to which the Company borrowed \$3,000,000 in consideration of a Senior Unsecured Note and an aggregate of 4,500,000 shares of Common Stock. The Senior Unsecured Note was scheduled to mature in January 2019 and bears interest at a rate of 10%. On April 30, 2018, the Company and the Stern Trust entered into an agreement to extend the maturity date from January 2019 until April 30, 2020 for an extension fee of 1,500,000 million shares of Common Stock.

Additionally, on March 22, 2017, the Company entered into Subscription Agreements with several accredited investors (the "March 2017 Accredited Investors") pursuant to which the March 2017 Accredited Investors purchased an aggregate of 20,000,000 shares of the Company's common stock for an aggregate purchase price of \$4,000,000.

### **Off -Balance Sheet Arrangements**

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

### **Recent Accounting Policies**

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

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

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

### **ITEM 4. CONTROLS AND PROCEDURES.**

#### *Evaluation of Disclosure Controls and Procedures*

The Company's management with the participation of the Company's Chief Executive Officer and Chief Financial Officer has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. The term "disclosure controls and procedures", as defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based upon the evaluation of the disclosure controls and procedures at the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective for the quarter ended September 30, 2018.

#### *Changes in Internal Control over Financial Reporting*

During the quarter ended September 30, 2018 and in the reporting period ending December 31, 2017, the Company improved its internal control over financial reporting and believes the disclosure controls and procedures are adequate to ensure accurate and timely financial reporting in accordance with the applicable standards.

- The Company has established adequate financial reporting monitoring activities to mitigate the risk of management override and performs a review of results and reporting from its entities located outside the United States.
- The Company has reduced its reliance on outside consultants to review its financial statements as well as monitor new accounting principles to ensure compliance with GAAP and SEC disclosure requirements.
- The Company has hired a General Counsel but will continue to use external counsel to support the review and edit of its financial statements to ensure compliance with SEC disclosure requirements.
- A formal audit committee has been formed and meetings are held to support the financial reporting process.
- The Company has taken steps to enhance its internal governance and compliance function. The Company formed appropriate committees and periodic and regular meetings were held with the internal governance and compliance functions to discuss and coordinate operational, compliance and financial matters.

## **PART II**

### **ITEM 1. LEGAL PROCEEDINGS**

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

## ITEM 1A. RISK FACTORS

Risk factors describing the major risks to our business can be found under Item 1A, “Risk Factors”, in our Annual Report on Form 10-K for the year ended December 31, 2017. There has been no material change in our risk factors from those previously discussed in the Annual Report on Form 10-K.

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

In August, 2018, the Company entered into Subscription Agreements with accredited investors (the “August 2018 Accredited Investors”) pursuant to which the August 2018 Accredited Investors purchased an aggregate of approximately 64.1 million shares of Common Stock at \$0.15 per share for an aggregate purchase price of \$9.6 million.

In connection with the private offering, the company agreed to issue approximately 2,470,000 common stock purchase warrants valued at approximately \$314,000 that are exercisable for a term of five years at an exercise price of \$0.165 per share.

The above offers and sales of the securities were made to accredited investors and the Company relied upon the exemptions contained in Section 4(a)(2) of the securities Act and/or Rule 506 of Regulation D promulgated there under with regards to the sales. No advertising or general solicitation was employed in offerings the securities. The offers and sales were made to accredited investors and transfer of the securities was restricted by the Company in accordance with the requirements of the Securities Act of 1933.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable to our operations.

## ITEM 5. OTHER INFORMATION

None

## ITEM 6. EXHIBITS

Exhibit Number		Description
<a href="#">2.1</a>	(1)	<a href="#">Agreement and Plan of Reorganization</a>
<a href="#">3.1</a>	(2)	<a href="#">Certificate of Incorporation</a>
<a href="#">3.2</a>	(2)	<a href="#">By-laws</a>
<a href="#">3.3</a>	(3)	<a href="#">Certificate of Ownership and Merger</a>
<a href="#">3.4</a>	(4)	<a href="#">Certificate of Amendment to the Certificate of Incorporation dated February 1, 2017</a>
<a href="#">3.5</a>	(5)	<a href="#">Certificate of Amendment to the Certificate of Incorporation dated October 3, 2017</a>
<a href="#">4.1</a>	(6)	<a href="#">Stock Option dated May 28, 2015 issued to Ricky Solomon</a>
<a href="#">4.2</a>	(7)	<a href="#">Common Stock Purchase Warrant issued to Ricky Solomon</a>
<a href="#">4.3</a>	(8)	<a href="#">Form of Common Stock Purchase Warrant issued to the 2015 Accredited Investors</a>
<a href="#">4.4</a>	(9)	<a href="#">Stock Option dated September 25, 2015 issued to Herbert M. Seltzer</a>

- 4.5 (10) [Common Stock Purchase Warrant issued to ID Solutions Inc.](#)
- 4.6 (11) [Stock Option issued to Thomas Szoke dated September 25, 2015](#)
- 4.7 (11) [Stock Option issued to Douglas Solomon dated September 25, 2015](#)
- 4.8 (11) [Stock Option issued to Maksim Umarov dated September 25, 2015](#)
- 4.9 (12) [Form of Common Stock Purchase Warrant issued to the 2015 Accredited Investors](#)
- 4.10 (13) [Form of Common Stock Purchase Warrant issued to the April 2016 Accredited Investors](#)
- 4.11 (14) [Stock Option issued to Parity Labs, LLC](#)
- 4.12 (15) [Stock Option Agreement entered between the Company and Stuart P. Stoller dated January 31, 2017](#)
- 4.13 (4) [Stock Option Agreement entered between the Company and Philip D. Beck dated January 31 2017](#)
- 4.14 (29) [Letter Agreement between Ipsidy Inc. and Theodore Stern Revocable Trust dated April 30, 2018.](#)
- 4.15 (30) [Form of Subscription Agreement by and between Ipsidy Inc. and the August 2018 Accredited Investors](#)
- 10.1 (16) [Assignment of Patents](#)
- 10.2 (16) [Assignment of Patents](#)
- 10.3 (16) [Assignment of Patents](#)
- 10.4 (17) [The ID Global Solutions Corporation Equity Compensation Plan](#)
- 10.5 (18) [Share Purchase Agreement by and between ID Global Solutions Corporation and the Multipay S.A. Shareholders](#)
- 10.6 (6) [Director Agreement by and between ID Global Solutions Corporation and Ricky Solomon dated May 28, 2015](#)
- 10.7 (19) [Director Agreement by and between ID Global Solutions Corporation and Herbert M. Seltzer dated September 25, 2015](#)
- 10.8 (20) [Employment Agreement between ID Global Solutions Corporation and Maksim Umarov dated July 1, 2015](#)
- 10.9 (21) [Letter Agreement entered between ID Global Solutions Corporation and Maksim Umarov dated September 25, 2015](#)
- 10.10 (22) [Share Exchange Agreement by and between ID Global Solutions Corporation, Fin Holdings, Inc. and the Fin Holdings, Inc. shareholders](#)
- 10.11 (23) [Contract for the Provision of Cash Collection Services entered into by and between ID Global LATAM S.A.S. and Recaudo Bogota S.A.S. dated December 30, 2016](#)
- 10.12 (15) [Confidential Settlement Agreement and General Release between ID Global Solutions Corporation and Charles D. Albanese dated January 26, 2017](#)
- 10.13 (15) [Executive Retention Agreement entered between the Company and Stuart P. Stoller dated January 31, 2017](#)
- 10.14 (4) [Indemnification Agreement entered between the Company and Stuart P. Stoller dated January 31, 2017](#)

- [10.15](#) (4) [Executive Retention Agreement entered between the Company and Philip D. Beck dated January 31 2017](#)
- [10.16](#) (4) [Executive Retention Agreement entered between the Company and Thomas Szoke dated January 31 2017](#)
- [10.17](#) (4) [Executive Retention Agreement entered between the Company and Douglas Solomon dated January 31, 2017](#)
- [10.18](#) (4) [Form of Conversion Agreement dated January 31, 2017](#)
- [10.19](#) (4) [Stand-Off Agreement dated January 31, 2017 entered between Philip Beck, Stuart Stoller, Thomas Szoke, Douglas Solomon, Herbert Selzer, Ricky Solomon and the Company](#)
- [10.20](#) (24) [Amendment No. 1 to the Share Purchase Agreement by and between Ipsidy Inc and the MultiPay Shareholders dated March 7, 2105](#)
- [10.21](#) (4) [Form of Indemnity Agreement](#)
- [10.22](#) (25) [Confidential Settlement Agreement and General Release between Ipsidy Inc. and Douglas Solomon dated September 13, 2017](#)
- [10.23](#) (25) [Agency Agreement between Ipsidy Inc. and Douglas Solomon dated September 13, 2017](#)
- [10.24](#) (26) [Restricted Stock Agreement dated September 29, 2017 between Philip D. Beck and Ipsidy Inc.](#)
- [10.25](#) (26) [Restricted Stock Agreement dated September 29, 2017 between Stuart P. Stoller and Ipsidy Inc.](#)
- [10.26](#) (27) [Settlement Agreement entered between ID Global LATAM S.A.S. and Recaudo Bogota S.A.S.](#)

- [10.27](#) (29) [2017 Incentive Stock Plan](#)
- [10.28\\*](#) (29) [Letter from Ipsidy Inc. to Philip Beck dated May 3, 2018](#)
- [10.29\\*](#) (29) [Letter from Ipsidy Inc. to Stuart Stoller dated May 3, 2018](#)
- [10.30\\*](#) (29) [Letter from Ipsidy Inc. to Thomas Szoke dated May 3, 2018](#)
- [14.1](#) (28) [Code of Ethics](#)
- [21.1](#) (28) [List of Subsidiaries](#)
- [31.1\\*](#) [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\)/15d-14\(a\) of the Securities Exchange Act](#)
- [31.2\\*](#) [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\)/15d-14\(a\) of the Securities Exchange Act](#)
- [32.1\\*](#) [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

101.INS XBRL Instance Document \*

101.SC XBRL Taxonomy Extension Schema Document \*

H

101.CA XBRL Taxonomy Extension Calculation Linkbase Document \*

L

101.DEF XBRL Taxonomy Extension Definition Linkbase Document \*

101.LA XBRL Taxonomy Extension Label Linkbase Document \*

B

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document \*

\* Filed herewith

- (1) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on August 13, 2013.
- (2) Incorporated by reference to the Form 10-12G Registration Statement filed with the Securities Exchange Commission on November 9, 2011.
- (3) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 9, 2014.
- (4) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on February 6, 2017.
- (5) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 3, 2017.
- (6) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on June 1, 2015.
- (7) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on September 9, 2015.
- (8) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (9) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (10) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (11) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.

- (12) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on December 29, 2015.
- (13) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on April 25, 2016.
- (14) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on August 16, 2016.
- (15) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on February 1, 2017.
- (16) Incorporated by reference to the Form S-1 Registration Statement filed with the Securities Exchange Commission on February 13, 2014.
- (17) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on November 28, 2014.
- (18) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on March 12, 2015.
- (19) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (20) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (21) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (22) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on February 12, 2016.
- (23) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on January 6, 2017.
- (24) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on March 31, 2017.
- (25) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on September 14, 2017.
- (26) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on November 13, 2017.
- (27) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on November 15, 2017.
- (28) Incorporated by reference to the Form 10-K Annual Report filed with the Securities Exchange Commission on July 12, 2017.
- (29) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on May 4, 2018.
- (30) Incorporated by reference to the Form 10-K Annual Report filed with the Securities Exchange Commission on August 17, 2018.



**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.

**IPSIDY INC.**

By: /s/ Philip Beck

\_\_\_\_\_  
Philip Beck, Chairman of the Board of Directors, Chief Executive Officer, and  
President  
Principal Executive Officer

By: /s/ Stuart Stoller

\_\_\_\_\_  
Chief Financial Officer  
Principal Financial and Accounting Officer

Dated: November 7, 2018

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

I, Philip Beck, Chairman of the Board of Directors, Chief Executive Officer and President certify that:

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

Date: November 7, 2018

/s/ Philip Beck  
\_\_\_\_\_  
Philip Beck  
Chairman of the Board of Directors,  
Chief Executive Officer and President  
(Principal Executive Officer)

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

I, Stuart Stoller Chief Financial Officer, certify that:

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

Date: November 7, 2018

/s/ Stuart Stoller  
\_\_\_\_\_  
Stuart Stoller  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Ipsidy Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Philip Beck, Chairman of the Board of Directors, Chief Executive Officer and President of the Company, and, Stuart Stoller, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Philip Beck

Philip Beck, Chairman of the Board of Directors, Chief Executive Officer and  
President  
(principal executive officer)

November 7, 2018

/s/ Stuart Stoller

Stuart Stoller, Chief Financial Officer  
(principal financial and accounting officer)

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