

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 March 31, 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

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 April 30, 2018
Common Stock, par value \$0.0001	405,708,228 shares
Documents incorporated by reference:	None

No

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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,
- the lack of a public market for our securities and the impact of the penny stock rules on trading in our common stock should a 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 “ID Global,” the “Company,” “we,” “our,” “us,” and similar terms refer to Ipsidy Inc., a Delaware corporation formerly known as IM Global 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 is not part of this report.

PART I – FINANCIAL INFORMATION

IPSIDY INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current Assets:		
Cash	\$ 2,412,363	\$ 4,413,822
Accounts receivable, net	676,628	165,929
Current portion of net investment in direct financing lease	54,215	52,790
Inventory, net	475,541	492,030
Other current assets	560,721	218,537
Total current assets	<u>4,179,468</u>	<u>5,343,108</u>
Property and Equipment, net	202,926	209,719
Other Assets	1,446,732	1,243,531
Intangible Assets, net	2,794,600	2,878,080
Goodwill	6,736,043	6,736,043
Net investment in direct financing lease, net of current portion	604,663	618,763
Total assets	<u>\$ 15,964,432</u>	<u>\$ 17,029,244</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,816,982	\$ 1,447,185
Capital lease obligation, current portion	28,251	27,420
Deferred revenue	538,812	122,511
Total current liabilities	<u>2,384,045</u>	<u>1,597,116</u>
Notes payable, net	2,519,785	2,375,720
Capital lease obligation, net of current portion	108,127	115,509
Total liabilities	<u>5,011,957</u>	<u>4,088,345</u>
Commitments and Contingencies (Note 11)		
Stockholders' Equity:		
Common stock, \$0.0001 par value, 1,000,000,000 shares authorized; 405,708,228 and 403,311,988 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	40,571	40,331
Additional paid in capital	79,791,311	79,053,339
Accumulated deficit	(69,160,547)	(66,407,622)
Accumulated comprehensive income	281,140	254,851
Total stockholders' equity	<u>10,952,475</u>	<u>12,940,899</u>
Total liabilities and stockholders' equity	<u>\$ 15,964,432</u>	<u>\$ 17,029,244</u>

See notes to condensed consolidated financial statements.

IPSIDY INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	2018	2017
Revenues:		
Products and services	\$ 507,927	\$ 565,545
Lease income	17,862	19,144
Total revenues, net	525,789	584,689
Operating Expenses:		
Cost of Sales	120,248	149,129
General and administrative	2,798,699	5,251,212
Research and development	5,361	29,070
Depreciation and amortization	110,676	109,534
Total operating expenses	3,034,984	5,538,945
Loss from operations	(2,509,195)	(4,954,256)
Other Income (Expense):		
Loss on derivative liabilities	—	(452,146)
Gain on extinguishment of notes payable	—	2,802,235
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	(239,169)	(604,015)
Other expense, net	(239,169)	(4,710,666)
Loss before income taxes	(2,748,364)	(9,664,922)
Income tax expense	(4,561)	(4,170)
Net loss	\$ (2,752,925)	\$ (9,669,092)
Net Loss Per Share - Basic and Diluted	\$ (0.01)	\$ (0.03)
Weighted Average Shares Outstanding - Basic and Diluted	404,254,263	295,596,151

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2018	2017
Net loss	\$ (2,752,925)	\$ (9,669,092)
Foreign currency translation gains	26,289	23,452
Comprehensive income loss	<u>\$ (2,726,636)</u>	<u>\$ (9,645,640)</u>

See notes to condensed consolidated financial statements.

IPSIDY INC. AND SUBSIDIARIES
(FORMERLY ID GLOBAL SOLUTIONS CORPORATION)
CONDENSED CONSOLIDATED STATEMENT CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Other	
			Capital		Comprehensive	
					Income	
Balances, December 31, 2017	403,311,988	\$ 40,331	\$ 79,053,339	\$ (66,407,622)	\$ 254,851	\$ 12,940,899
Restricted stock issued for services	720,000	72	89,928	—	—	90,000
Stock-based compensation	—	—	648,212	—	—	648,212
Exercise of common stock warrants	1,676,240	168	(168)	—	—	—
Net loss	—	—	—	(2,752,925)	—	(2,752,925)
Foreign currency translation	—	—	—	—	26,289	26,289
Balances, March 31, 2018	<u>405,708,228</u>	<u>\$ 40,571</u>	<u>\$ 79,791,311</u>	<u>\$ (69,160,547)</u>	<u>\$ 281,140</u>	<u>\$ 10,952,475</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,752,925)	\$ (9,669,092)
Adjustments to reconcile net loss with cash flows from operations:		
Depreciation and amortization expense	110,676	109,534
Stock-based compensation	738,212	3,294,160
Common stock issued for services	—	42,376
Amortization of debt discounts and issuance costs	144,065	504,939
Loss on derivative liability	—	452,146
Gain on settlement of notes payable	—	(2,802,235)
Loss on modification of derivatives	—	319,770
Loss on modification of warrants	—	158,327
Loss on settlement of debt	—	5,978,643
Changes in operating assets and liabilities:		
Accounts receivable	(514,722)	25,725
Net investment in direct financing lease	12,675	11,394
Other current assets	(169,973)	(226,174)
Inventory	(196,655)	2,863
Accounts payable and accrued expenses	381,730	736,535
Deferred revenue	416,301	(143,012)
Net cash flows from operating activities	<u>(1,830,616)</u>	<u>(1,204,101)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(10,474)	(4,563)
Investment in other assets	(182,140)	(343,655)
Net cash flows from investing activities	<u>(192,614)</u>	<u>(348,218)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable and common stock	—	3,000,000
Proceeds from the sale of common stock	—	2,880,710
Payment of debt and equity issuance costs	—	(86,331)
Principal payments on notes payable	—	(14,173)
Principal payments on capital lease obligation	(7,382)	(1,957)
Net cash flows from financing activities	<u>(7,382)</u>	<u>5,778,249</u>
Effect of foreign currencies exchange on cash	<u>29,153</u>	<u>30,977</u>
Net change in cash	(2,001,459)	4,256,907
Cash, beginning of the period	4,413,822	689,105
Cash, end of the period	<u>\$ 2,412,363</u>	<u>\$ 4,946,012</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 3,392</u>	<u>\$ 1,634</u>
Cash paid for income taxes	<u>\$ 4,561</u>	<u>\$ 4,170</u>
Non-cash Investing and Financing Activities:		
Issuance of common stock for conversion of debt and accrued interest	<u>\$ —</u>	<u>\$ 21,609,673</u>
Issuance of warrants for inventory costs	<u>\$ —</u>	<u>\$ 224,460</u>
Reclassification of derivative liabilities upon removal of price protection in warrants	<u>\$ —</u>	<u>\$ 7,614,974</u>
Acquisition of equipment pursuant 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 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 months ended March 31, 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 March 31, 2018, the Company had an accumulated deficit of approximately \$69.2 million. For the three months ended March 31, 2018 the Company earned revenue of approximately \$0.5 million and incurred a loss from operations of approximately \$2.5 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 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 March 31, 2018 and 2017 because their effect was antidilutive:

Security	2018	2017
Stock Options	107,958,331	106,050,000
Warrants	45,964,543	47,538,697
Total	153,922,874	153,588,669

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 March 31, 2018 and December 31, 2017 consist of kiosks that were not placed into service and are held for sale and cards inventory.

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 of 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 March 31, 2018.

Cards Plus - The Company recognizes revenue for the design and production of cards when products are shipped or a 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 \$539,000 and \$123,000 as of March 31, 2018 and December 31, 2017 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 three months ended March 31, 2018.

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, which is based on a percentage of revenues received by the Company. For the quarter ended March 31, 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 will impact future revenue and expenses recognition. The primary impact on accounting for expenses of adopting the new standard, relates 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 March 31, 2018, there was no deferred commissions.

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 identity services 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. A more complete analysis of the impact of the standard on these contracts will be performed during the three months ended June 30, 2018 which is the period of time when services are expected to commence and the conclusions reached by management may be different from those described above. For the quarter ended March 31, 2018, no revenues were recognized or required to be recognized under this practical expedient.

Additionally, the Company will capitalize the incremental costs of acquiring and fulfilling a contract with a customer if the Company expects to recover those costs. The 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 March 31, 2018, the Company had deferred contract costs, represented by contract cost assets of approximately \$206,000 which are included in other current assets for certain costs incurred for the future delivery of election support services. The performance obligation should principally be met in the second quarter of 2018 when most of the costs are expected to be expensed and the associated revenue recognized for the related performance obligation.

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.

NOTE 2 – PROPERTY AND EQUIPMENT, NET

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

	2018	2017
Computers and equipment	\$ 189,825	\$ 179,351
Furniture and fixtures	156,867	156,867
	<u>346,692</u>	<u>\$ 336,218</u>
Less Accumulated depreciation	143,766	126,499
Property and equipment, net	<u>\$ 202,926</u>	<u>\$ 209,719</u>

Depreciation expense totaled \$17,267 and \$15,266 for the three months ended March 31, 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 March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Software and development	\$ 1,346,202	\$ 1,139,409
Other	100,530	104,122
	<u>\$ 1,446,732</u>	<u>\$ 1,243,531</u>

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 three months ended March 31, 2018:

Useful Lives	Customer Relationships 10 Years	Intellectual Property 10 Years	Non-Compete 10 Years	Patents Pending n/a	Total
Carrying Value at December 31, 2017	\$ 1,287,450	\$ 1,556,934	\$ 5,250	\$ 28,446	\$ 2,878,080
Additions	—	—	—	9,929	9,929
Amortization	(39,679)	(53,026)	(704)	—	(93,409)
Carrying Value at March 31, 2018	<u>\$ 1,247,771</u>	<u>\$ 1,503,908</u>	<u>\$ 4,546</u>	<u>\$ 38,375</u>	<u>\$ 2,794,600</u>

The following is a summary of intangible assets as of March 31, 2018:

	Customer Relationships	Intellectual Property	Non-Compete	Patent Pending	Total
Cost	\$ 1,587,159	\$ 2,146,561	\$ 14,087	\$ 38,375	\$ 3,786,192
Accumulated amortization	(339,388)	(642,653)	(9,541)	—	(991,582)
Carrying Value at March 31, 2018	<u>\$ 1,247,771</u>	<u>\$ 1,503,908</u>	<u>\$ 4,546</u>	<u>\$ 38,375</u>	<u>\$ 2,794,600</u>

Future expected amortization of intangible assets is as follows:

Fiscal Year Ending December 31,	
Remainder of 2018	\$ 280,229
2019	373,252
2020	366,313
2021	364,498
2022	355,008
Thereafter	1,055,300
	<u>\$ 2,794,600</u>

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2018	2017
Trade payables	\$ 344,544	\$ 232,842
Accrued interest	350,000	275,000
Accrued payroll and related obligations	653,419	468,012
Other accrued expenses	469,019	471,331
Total	<u>\$ 1,816,982</u>	<u>\$ 1,447,185</u>

NOTE 6 - NOTES PAYABLE, NET

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

	March 31, 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 for an extension fee of 1,500,000 shares of the Common Stock issued to the Noteholder.	3,000,000	3,000,000
Total Principal Outstanding	\$ 3,000,000	\$ 3,000,000
Unamortized Deferred Debt	(129,496)	(168,345)
Unamortized Deferred Debt Issuance Costs	(350,719)	(455,935)
Notes Payable, Net	\$ 2,519,785	\$ 2,375,720

The following is a roll-forward of the Company’s notes payable and related discounts for the three months ended March 31, 2018:

	Principal Balance	Debt Issuance Costs	Debt Discounts	Total
Balance at December 31, 2017	\$ 3,000,000	\$ (168,345)	\$ (455,935)	\$ 2,375,720
Amortization	—	38,849	105,216	144,065
Balance at March 31, 2018	\$ 3,000,000	\$ (129,496)	\$ (350,719)	\$ 2,519,785

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 January 2017, the Company issued to the Theodore Stern Revocable Trust (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). The loan became a note due to one of its Board of Directors upon Mr. Stern’s election in September 2017. During the quarter ended March 31, 2018, the Company recorded \$75,000 of interest expense under the terms and conditions of the Note.

Convertible Notes Payable

On January 31, 2017, the Company entered into a Conversion Agreements with Mr. Selzer, a director of the Company or Vista Associates, a family partnership to which Mr. Selzer converted \$150,000 in debt plus interest into 1,753,500 shares of common stock and \$40,000 of debt plus interest into 1,537,778 shares of common stock.

Purchase of Common Stock

In April 2017, Mr. Selzer purchased an additional 500,000 shares of common stock.

Other

In connection with securing third-party financing, the Company incurred fees to Network 1 Financial Securities, Inc. ("Network 1"), a registered broker-dealer. In the first quarter of 2017, the Network 1 fees comprise of \$360,000 payable in cash and the issuance of 2,200,000 shares of common stock of the Company. A member of the Company's Board of Directors previously maintained a partnership with a key principal of Network 1. The agreement calls for Network 1 to receive commission, in cash and stock based on the total amount of proceeds from any financing it secures for the Company.

NOTE 8 – STOCKHOLDER'S EQUITY

Common Stock

During the quarter ended March 31, 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 market value at the date of grant and vest quarterly.

During the quarter ended March 31, 2018, an investor exercised 2,200,000 warrants at \$0.05 cents on a cashless exercise basis in exchange for 1,672,190 shares of common stock of the Company.

Warrants

The following is a summary of the Company's warrant activity for the three months ended March 31, 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
Exercised	2,200,000	\$ 0.05	—
Outstanding at March 31, 2018	45,964,543	\$ 0.08	2.6 Years

Stock Options

During the three months ended March 31, 2018, the Company granted options to acquire 4,750,000 shares of common stock to four employees and one non-employee of which 2,750,000 options are exercisable at \$0.22 per share and 2,000,000 are exercisable at \$0.25 cents 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 \$700,000, which will charged to expense over the three year vesting term of which approximately \$167,000 was related to non-employees.

The Company determined the grant date fair value of the options granted during the three months ended March 31, 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 March 31, 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	4,750,000	\$ 0.23	9.8	\$ 237,500
Forfeitures	—	—		
Outstanding as of March 31, 2018	107,958,331	0.20	8.18	\$ 14,544,583
Exercisable as of March 31, 2018	86,162,500	\$ 0.21	8.17	\$ 11,129,208

The following table summarizes stock option information as of March 31, 2018:

Exercise Prices	Outstanding	Weighted Average Contractual Life	Exercisable
\$ 0.00	3,500,000	7.50 Years	3,500,000
\$ 0.05	33,450,000	8.36 Years	25,937,500
\$ 0.10	27,250,000	8.80 Years	20,166,669
\$ 0.13	250,000	9.75 Years	—
\$ 0.15	5,258,331	7.60 Years	4,258,331
\$ 0.22	2,750,000	9.80 Years	—
\$ 0.25	2,500,000	9.5 Years	300,000
\$ 0.29	1,000,000	9.25 Years	—
\$ 0.40	1,000,000	7.92 Years	1,000,000
\$ 0.45	31,000,000	7.55 Years	31,000,000
Total	107,958,331	8.18 Years	86,162,500

During the three months ended March 31, 2018, the Company recognized approximately \$648,000 of stock-based compensation expense related to options of which non-employees expense was approximately \$167,000. As of March 31, 2018, there was approximately \$3,700,000 of unrecognized compensation costs related to stock options outstanding of which approximately \$829,000 was related to non-employees and will be expensed through 2020.

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 incremental revenue in the quarter ended March 31, 2018 of approximately \$19,000.

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:

2018	\$ 91,609
2019	122,145
2020	122,145
2021	122,145
2022	122,145
Thereafter	407,174
Sub-total	<u>987,363</u>
Less deferred revenue	(328,485)
Net investment in lease	<u>\$ 658,878</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 March 31, 2018 is \$32,322. 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 March 31, 2018. The interest rate related to the lease obligation is 12% and the maturity date is March 31, 2022.

Year Ending	
2018	\$ 32,322
2019	43,096
2020	43,096
2021	43,096
Thereafter	10,776
Total minimum lease payments	<u>172,386</u>
Less: Amount representing interest	(36,008)
Present value of minimum lease payments	<u>\$ 136,378</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.

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

Going concern

As of March 31, 2018, the Company had an accumulated deficit of approximately \$69.2 million. For the three months ended March 31, 2018 the Company earned revenue of approximately \$5 million and incurred a loss from operations of approximately \$2.5 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. We have recently launched a pilot of the Ipsidy Access solution using our IDLok authentication service providing access control to commercial, multi-tenanted buildings.

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, for them to ensure that no duplicate entries exist in the voter roll for the forthcoming election and the contract was signed in March 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. In order to achieve this integration and development, the Company will need to raise additional capital.

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 OTCQB 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. 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 and (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.

Reconciliation of Net Loss to Adjusted EBITDA

	Quarter Ended	
	March 31, 2018	March 31, 2017
Net Loss	\$ (2,752,925)	\$ (9,669,092)
Add Back:		
Interest Expense	239,169	604,015
Conversion of debt, etc.	—	4,106,652
Depreciation and amortization	110,676	109,534
Taxes	4,561	4,170
Stock-based compensation equity plans	738,212	3,294,160
Adjusted EBITDA	\$ (1,660,307)	\$ (1,550,561)

Adjusted EBITDA loss for the quarter ended March 31, 2018 decreased approximately \$0.1 million due to an increased investment in salary and technology expense as the Company expanded its infrastructure to support future operations.

Three Months Ended March 31, 2018 and March 31, 2017

Revenues, net

During the three months ended March 31, 2018, the Company had revenues of approximately \$526,000 compared to \$585,000 in the three months ended March 31, 2017. The majority of the decline was in Cards Plus due to timing of certain identity solution products and one-time sales.

Cost of sales

During the three months ended March 31, 2018, cost of sales was less than the cost of sales in the three months ended March 31, 2017 principally due to improved manufacturing efficiency as new equipment was placed into service in late first quarter of 2017 as well as lower revenue. Cost of sales is related to Cards Plus.

Operating Expenses

During the three-month period ended March 31, 2018 compared to March 31, 2017, general and administrative expense decreased by approximately \$2.5 million principally due to lower stock compensation charges.

Depreciation and amortization expense remained consistent in the three months ended March 31, 2018 compared to March 31, 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 (\$.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 (\$.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.

Interest expense

Interest expense decreased in the three months ended March 31, 2018 principally due to the debt for equity conversion on January 31, 2017.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate sufficient cash to satisfy its needs for cash. As of March 31, 2018, the Company had approximately \$2.4 million of cash and had \$1.8 million of net working capital.

Cash used in operating activities was approximately \$1.8 million and \$1.2 million in the three months ended March 31, 2018 and March 31, 2017.

The Company expects incremental revenue and cash to be generated in the second quarter of 2018 from the delivery of software and equipment that will be used to support a governmental election.

The Company did not raise funds in the first quarter of 2018 but expect it will need to raise capital later in the current fiscal year. The Company expects additional financing will be required and the amounts will 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 at this time. 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 would have a material adverse effect on the organization.

In the first quarter of 2017, the Company raised \$7.0 million of additional financing, as the Company on January 31, 2017, 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 agreed to purchase 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 March 31, 2018.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 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

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

During the quarter ended March 31, 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 market value at the date of grant and vest quarterly.

During the quarter ended March 31, 2018, an investor exercised 2,200,000 warrants at \$0.05 cents on a cashless exercise basis resulting in the issued of 1,672,190 shares of common stock of the Company.

The above offers and sales of the securities were made to accredited investors and the Company relied upon the exemptions contained in Section 4(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

On May 3, 2018, the Company issued, Philip Beck a letter in accordance with Mr. Beck's Executive Retention Agreement dated January 31, 2017 providing Mr. Beck with a cash bonus incentive for 2018 equal to 50% of his base salary upon the Company achieving an amount of Adjusted EBITDA for the fiscal year 2018, on a consolidated basis equal to the target as approved by the Compensation Committee of the Company as the Adjusted EBITDA is set forth in the financial records of the Company and its subsidiaries calculated on a consistent basis with prior years and as Adjusted EBITDA is defined in the Company's Annual Report on Form 10-K for the year ending December 31, 2018 (the "Adjusted EBITDA").

On May 3, 2018, the Company issued, Stuart Stoller a letter in accordance with Mr. Stoller's Executive Retention Agreement dated January 31, 2017 increasing Mr. Stoller's base salary by \$12,500 and providing Mr. Stoller with a cash bonus incentive for 2018 equal to 40% of his base salary upon the Company achieving the Adjusted EBITDA equal to the target as approved by the Compensation Committee of the Company as the Adjusted EBITDA.

On May 3, 2018, the Company issued, Thomas Szoke a letter in accordance with the Mr. Szoke's Executive Retention Agreement dated January 31, 2017 providing Mr. Szoke with a cash bonus incentive for 2018 equal to 40% of his base salary of which one third is payable upon the Company achieving the Adjusted EBITDA equal to the target as approved by the Compensation Committee of the Company as the Adjusted EBITDA, one-third upon timely launch of new identify products and one-third upon successful completion of the Zimbabwe Electoral Commission project.

The above cash bonuses shall be adjusted upward or downward based on the percentage achievement of the above target as more specifically described in the letter agreement. Further, if the above bonuses are earned, they shall only be payable upon the Company raising \$15,000,000 after the date hereof or upon the Company achieving positive Adjusted EBITDA for one quarter, in any period commencing after December 31, 2018, as shown in the Company's Quarterly Report on Form 10-Q for the relevant quarter. The cash bonuses were approved by the Compensation Committee.

ITEM 6. EXHIBITS

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

- 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* [Letter Agreement between Ipsidy Inc. and Theodore Stern Revocable Trust dated April 30, 2018.](#)
- 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* 2017 Incentive Stock Plan](#)
- [10.28* Letter from Ipsidy Inc. to Philip Beck dated May 3, 2018](#)
- [10.29* Letter from Ipsidy Inc. to Stuart Stoller dated May 3, 2018](#)
- [10.30* 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.

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: May 4, 2018

Ipsidy Inc.
780 Long Beach Boulevard
Long Beach, New York 11561
516-274-8700

April 30, 2018

Theodore Stern, Trustee
Theodore Stern Revocable Trust
220 North Bellefield Avenue, Unit 1101
Pittsburgh, PA 15213

Re: Ipsidy Inc. (f/k/a ID Global Solutions Corporation) (the "Company")

Mr. Stern:

Reference is hereby made to (i) that certain Securities Purchase Agreement dated February 1, 2017 between Theodore Stern, Trustee, the Theodore Stern Revocable Trust (the "Trust"), on one hand, and the Company, FIN Holdings Inc., Cards Plus Pty Ltd., ID Solutions Inc., Innovation in Motion Inc., MultiPay S.A.S., IDGS LATAM S.A.S., and IDGS S.A.S., on the other hand (the "Agreement") and (ii) that certain Unsecured Promissory Note due January 31, 2019 in the principal amount of \$3,000,000 issued to the Trust by the Company (the "Note"). All definitions not defined herein shall have the meaning as set forth in the Agreement or the Note. The parties hereby agree as follows:

1. The first sentence of the first paragraph of the Note shall be amended and restated to extend the Maturity Date as follows:

FOR VALUE RECEIVED, IPSIDY INC. (F/K/A ID GLOBAL SOLUTIONS CORPORATION), a Delaware corporation (the "Company"), hereby promises to pay to the order of THEODORE STERN, TRUSTEE, THEODORE STERN REVOCABLE TRUST or any subsequent holder of this Note ("Holder") the principal amount of THREE MILLION dollars (\$3,000,000) on April 30, 2020 ("Maturity Date") or earlier as hereinafter provided.

2. Article 2, Section (a) of the Note shall be amended and restated as follows:

Prepayments and Partial Payments; Mandatory Prepayment. The Company may prepay this Note in whole or in part at anytime; provided, that any partial payment of principal must be accompanied by payment of all accrued interest to the date of prepayment. The Company is required to prepay all outstanding principal and accrued but unpaid interest on this Note upon the Company (including any of its subsidiaries) closing on financing after April 30, 2018 that, individually or collectively, generates gross proceeds equal to or in excess of \$15,000,000.

3. In consideration for entering into this letter agreement, the Company shall issue the Trust 1,500,000 shares of common stock, which shall have a cost basis equal to the closing price as of the date hereof.

Except as specifically amended by this letter agreement, the terms and conditions of the Agreement and the Note shall remain in full force and effect. The parties hereby agree that the Agreement and the Note, as amended by this Letter Agreement, constitutes the final, complete and exclusive agreement of the parties with respect to the subject matter thereof and hereof and supersedes all prior understandings and agreements relating to such subject matter. This letter agreement may be executed in two counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

If the foregoing is acceptable to you, please sign this letter agreement in the space provided below and return it to the Company.

Sincerely,

Ipsidy Inc.

By:/s/ Stuart Stoller
Name: Stuart Stoller
Title: Chief Financial Officer

Agreed to and accepted as of the date set forth above:

Theodore Stern Revocable Trust

By:/s/ Theodore Stern
Name: Theodore Stern
Title: Trustee

**IPSIDY INC.
2017 INCENTIVE STOCK PLAN**

This IPSIDY INC. 2017 Incentive Stock Plan (the “**Plan**”) is designed to retain directors, executives and selected employees and consultants and reward them for making major contributions to the success of the Company. These objectives are accomplished by making long-term incentive awards under the Plan thereby providing Participants with a proprietary interest in the growth and performance of the Company.

1. Definitions.

- (a) “**Board**” - The Board of Directors of the Company.
- (b) “**Code**” - The Internal Revenue Code of 1986, as amended from time to time.
- (c) “**Committee**” - The Compensation Committee of the Company’s Board, or such other committee of the Board that is designated by the Board to administer the Plan, composed of not less than two members of the Board all of whom are disinterested persons, as contemplated by Rule 16b-3 (“**Rule 16b-3**”) promulgated under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”).
- (d) “**Company**” - IPSIDY INC. and its subsidiaries including subsidiaries of subsidiaries.
- (e) “**Exchange Act**” - The Securities Exchange Act of 1934, as amended from time to time.
- (f) “**Fair Market Value**” - The fair market value of the Company’s issued and outstanding Stock as determined in good faith by the Board or Committee.
- (g) “**Grant**” - The grant of any form of stock option, stock award, or stock purchase offer, whether granted singly, in combination or in tandem, to a Participant pursuant to such terms, conditions and limitations as the Committee may establish in order to fulfill the objectives of the Plan.
- (h) “**Grant Agreement**” - An agreement between the Company and a Participant that sets forth the terms, conditions and limitations applicable to a Grant.

- (i) **“Option”** - Either an Incentive Stock Option, in accordance with Section 422 of Code, or a Nonstatutory Option, to purchase the Company’s Stock that may be awarded to a Participant under the Plan. A Participant who receives an award of an Option shall be referred to as an **“Optionee.”**
 - (j) **“Participant”** - A director, officer, employee or consultant of the Company to whom an Award has been made under the Plan.
 - (k) **“Restricted Stock Purchase Offer”** - A Grant of the right to purchase a specified number of shares of Stock pursuant to a written agreement issued under the Plan.
 - (l) **“Securities Act”** - The Securities Act of 1933, as amended from time to time.
 - (m) **“Stock”** - Authorized and issued or unissued shares of common stock of the Company.
 - (n) **“Stock Award”** - A Grant made under the Plan in stock or denominated in units of stock for which the Participant is not obligated to pay additional consideration.
2. Administration. The Plan shall be administered by the Board, provided however, that the Board may delegate such administration to the Committee. Subject to the provisions of the Plan, the Board and/or the Committee shall have authority to (a) grant, in its discretion, Incentive Stock Options in accordance with Section 422 of the Code, or Nonstatutory Options, Stock Awards or Restricted Stock Purchase Offers; (b) determine in good faith the fair market value of the Stock covered by any Grant; (c) determine which eligible persons shall receive Grants and the number of shares, restrictions, terms and conditions to be included in such Grants; (d) construe and interpret the Plan; (e) promulgate, amend and rescind rules and regulations relating to its administration, and correct defects, omissions and inconsistencies in the Plan or any Grant; (f) consistent with the Plan and with the consent of the Participant, as appropriate, amend any outstanding Grant or amend the exercise date or dates thereof; (g) determine the duration and purpose of leaves of absence which may be granted to Participants without constituting termination of their employment for the purpose of the Plan or any Grant; and (h) make all other determinations necessary or advisable for the Plan’s administration. The interpretation and construction by the Board of any provisions of the Plan or selection of Participants shall be conclusive and final. No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Grant made thereunder.
3. Eligibility.
- (a) **General:** The persons who shall be eligible to receive Grants shall be directors, officers, employees or consultants to the Company. The term consultant shall mean any person, other than an employee, who is engaged by the Company to render services and is compensated for such services. An Optionee may hold more than one Option. Any issuance of a Grant to an officer or director of the Company subsequent to the first registration of any of the securities of the Company under the Exchange Act shall comply with the requirements of Rule 16b-3.

- (b) Incentive Stock Options: Incentive Stock Options may only be issued to employees of the Company. Incentive Stock Options may be granted to officers or directors, provided they are also employees of the Company. Payment of a director's fee shall not be sufficient to constitute employment by the Company.

The Company shall not grant an Incentive Stock Option under the Plan to any employee if such Grant would result in such employee holding the right to exercise for the first time in any one calendar year, under all Incentive Stock Options granted under the Plan or any other plan maintained by the Company, with respect to shares of Stock having an aggregate fair market value, determined as of the date of the Option is granted, in excess of \$100,000. Should it be determined that an Incentive Stock Option granted under the Plan exceeds such maximum for any reason other than a failure in good faith to value the Stock subject to such option, the excess portion of such option shall be considered a Nonstatutory Option. To the extent the employee holds two (2) or more such Options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such Option as Incentive Stock Options under the Federal tax laws shall be applied on the basis of the order in which such Options are granted. If, for any reason, an entire Option does not qualify as an Incentive Stock Option by reason of exceeding such maximum, such Option shall be considered a Nonstatutory Option.

- (c) Nonstatutory Option: The provisions of the foregoing Section 3(b) shall not apply to any Option designated as a “**Nonstatutory Option**” or which sets forth the intention of the parties that the Option be a Nonstatutory Option.
- (d) Stock Awards and Restricted Stock Purchase Offers: The provisions of this Section 3 shall not apply to any Stock Award or Restricted Stock Purchase Offer under the Plan.

4. Stock.

- (a) Authorized Stock: Stock subject to Grants may be either unissued or reacquired Stock.
- (b) Number of Shares: Subject to adjustment as provided in Section 5(i) of the Plan, the total number of shares of Stock which may be purchased or granted directly by Options, Stock Awards or Restricted Stock Purchase Offers, or purchased indirectly through exercise of Options granted under the Plan shall not exceed 70,500,000. If any Grant shall for any reason terminate or expire, any shares allocated thereto but remaining unpurchased upon such expiration or termination shall again be available for Grants with respect thereto under the Plan as though no Grant had previously occurred with respect to such shares. Any shares of Stock issued pursuant to a Grant and repurchased pursuant to the terms thereof shall be available for future Grants as though not previously covered by a Grant.
- (c) Reservation of Shares: The Company shall reserve and keep available at all times during the term of the Plan such number of shares as shall be sufficient to satisfy the requirements of the Plan. If, after reasonable efforts, which efforts shall not include the registration of the Plan or Grants under the Securities Act, the Company is unable to obtain authority from any applicable regulatory body, which authorization is deemed necessary by legal counsel for the Company for the lawful issuance of shares hereunder, the Company shall be relieved of any liability with respect to its failure to issue and sell the shares for which such requisite authority was so deemed necessary unless and until such authority is obtained.
- (d) Application of Funds: The proceeds received by the Company from the sale of Stock pursuant to the exercise of Options or rights under Stock Purchase Agreements will be used for general corporate purposes.
- (e) No Obligation to Exercise: The issuance of a Grant shall impose no obligation upon the Participant to exercise any rights under such Grant.

5. Terms and Conditions of Options. Options granted hereunder shall be evidenced by agreements between the Company and the respective Optionees, in such form and substance as the Board or Committee shall from time to time approve. Option agreements need not be identical, and in each case may include such provisions as the Board or Committee may determine, but all such agreements shall be subject to and limited by the following terms and conditions:

(a) Number of Shares: Each Option shall state the number of shares to which it pertains.

(b) Exercise Price: Each Option shall state the exercise price, which shall be determined as follows:

- (i) Any Incentive Stock Option granted to a person who at the time the Option is granted owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power or value of all classes of stock of the Company (“**Ten Percent Holder**”) shall have an exercise price of no less than 110% of the Fair Market Value of the Stock as of the date of grant; and
- (ii) Incentive Stock Options granted to a person who at the time the Option is granted is not a Ten Percent Holder shall have an exercise price of no less than 100% of the Fair Market Value of the Stock as of the date of grant.

For the purposes of this Section 5(b), the Fair Market Value shall be as determined by the Board in good faith, which determination shall be conclusive and binding; provided however, that if there is a public market for such Stock, the Fair Market Value per share shall be the average of the bid and asked prices (or the closing price if such stock is listed on the NASDAQ Global Market or Capital Market) on the date of grant of the Option, or if listed on a stock exchange, the closing price on such exchange on such date of grant.

(c) Medium and Time of Payment: The exercise price shall become immediately due upon exercise of the Option and shall be paid in cash or check made payable to the Company. Should the Company’s outstanding Stock be registered under Section 12(g) of the Exchange Act at the time the Option is exercised, then the exercise price may also be paid as follows:

- (i) in shares of Stock held by the Optionee for the requisite period necessary to avoid a charge to the Company’s earnings for financial reporting purposes and valued at Fair Market Value on the exercise date, or
- (ii) through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable written instructions (a) to a Company designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable Federal, state and local income and employment taxes required to be withheld by the Company by reason of such purchase and (b) to the Company to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale transaction.

At the discretion of the Board, exercisable either at the time of Option grant or of Option exercise, the exercise price may also be paid (i) by Optionee’s delivery of a promissory note in form and substance satisfactory to the Company and permissible under applicable securities rules and bearing interest at a rate determined by the Board in its sole discretion, but in no event less than the minimum rate of interest required to avoid the imputation of compensation income to the Optionee under the Federal tax laws, or (ii) in such other form of consideration permitted by the State of Delaware corporations law as may be acceptable to the Board.

- (d) Term and Exercise of Options: Any Option granted to an employee of the Company shall become exercisable over a period of no longer than five (5) years and no less than twenty percent (20%) of the shares covered thereby shall become exercisable annually unless the Board determines otherwise. No Option shall be exercisable, in whole or in part, prior to one (1) year from the date it is granted unless the Board shall specifically determine otherwise, as provided herein. In no event shall any Option be exercisable after the expiration of ten (10) years from the date it is granted, and no Incentive Stock Option granted to a Ten Percent Holder shall, by its terms, be exercisable after the expiration of five (5) years from the date of the Option. Unless otherwise specified by the Board or the Committee in the resolution authorizing such Option, the date of grant of an Option shall be deemed to be the date upon which the Board or the Committee authorizes the granting of such Option.

Each Option shall be exercisable to the nearest whole share, in installments or otherwise, as the respective Option agreements may provide. During the lifetime of an Optionee, the Option shall be exercisable only by the Optionee and shall not be assignable or transferable by the Optionee, and no other person shall acquire any rights therein. To the extent not exercised, installments (if more than one) shall accumulate, but shall be exercisable, in whole or in part, only during the period for exercise as stated in the Option agreement, whether or not other installments are then exercisable.

- (e) Termination of Status as Employee, Consultant or Director: If Optionee's status as an employee shall terminate for any reason other than Optionee's disability or death, then Optionee (or if the Optionee shall die after such termination, but prior to exercise, Optionee's personal representative or the person entitled to succeed to the Option) shall have the right to exercise the portions of any of Optionee's Incentive Stock Options which were exercisable as of the date of such termination, in whole or in part, not less than 30 days nor more than three (3) months after such termination (or, in the event of "termination for good cause" as that term is defined in Delaware case law related thereto, or by the terms of the Plan or the Option Agreement or an employment agreement, the Option shall automatically terminate as of the termination of employment as to all shares covered by the Option).

With respect to Nonstatutory Options granted to employees, directors or consultants, the Board may specify such period for exercise, not less than 30 days (except that in the case of "termination for cause" or removal of a director, the Option shall automatically terminate as of the termination of employment or services as to shares covered by the Option, following termination of employment or services as the Board deems reasonable and appropriate. The Option may be exercised only with respect to installments that the Optionee could have exercised at the date of termination of employment or services. Nothing contained herein or in any Option granted pursuant hereto shall be construed to affect or restrict in any way the right of the Company to terminate the employment or services of an Optionee with or without cause.

- (f) Disability of Optionee: If an Optionee is disabled (within the meaning of Section 22(e)(3) of the Code) at the time of termination, the three (3) month period set forth in Section 5(e) shall be a period, as determined by the Board and set forth in the Option, of not less than six months nor more than one year after such termination.
- (g) Death of Optionee: If an Optionee dies while employed by, engaged as a consultant to, or serving as a Director of the Company, the portion of such Optionee's Option which was exercisable at the date of death may be exercised, in whole or in part, by the estate of the decedent or by a person succeeding to the right to exercise such Option at any time within (i) a period, as determined by the Board and set forth in the Option, of not less than six (6) months nor more than one (1) year after Optionee's death, which period shall not be more, in the case of a Nonstatutory Option, than the period for exercise following termination of employment or services, or (ii) during the remaining term of the Option, whichever is the lesser. The Option may be so exercised only with respect to installments exercisable at the time of Optionee's death and not previously exercised by the Optionee.

- (h) Nontransferability of Option: No Option shall be transferable by the Optionee, except by will or by the laws of descent and distribution.
- (i) Recapitalization: Subject to any required action of shareholders, the number of shares of Stock covered by each outstanding Option, and the exercise price per share thereof set forth in each such Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Stock of the Company resulting from a stock split, stock dividend, combination, subdivision or reclassification of shares, or the payment of a stock dividend, or any other increase or decrease in the number of such shares affected without receipt of consideration by the Company; provided, however, the conversion of any convertible securities of the Company shall not be deemed to have been “*effected without receipt of consideration*” by the Company.

In the event of a proposed dissolution or liquidation of the Company, a merger or consolidation in which the Company is not the surviving entity, or a sale of all or substantially all of the assets or capital stock of the Company (collectively, a “**Reorganization**”), unless otherwise provided by the Board, this Option shall terminate immediately prior to such date as is determined by the Board, which date shall be no later than the consummation of such Reorganization. In such event, if the entity which shall be the surviving entity does not tender to Optionee an offer, for which it has no obligation to do so, to substitute for any unexercised Option a stock option or capital stock of such surviving of such surviving entity, as applicable, which on an equitable basis shall provide the Optionee with substantially the same economic benefit as such unexercised Option, then the Board may grant to such Optionee, in its sole and absolute discretion and without obligation, the right for a period commencing thirty (30) days prior to and ending immediately prior to the date determined by the Board pursuant hereto for termination of the Option or during the remaining term of the Option, whichever is the lesser, to exercise any unexpired Option or Options without regard to the installment provisions of Paragraph 6(d) of the Plan; provided, that any such right granted shall be granted to all Optionees not receiving an offer to receive substitute options on a consistent basis, and provided further, that any such exercise shall be subject to the consummation of such Reorganization.

Subject to any required action of shareholders, if the Company shall be the surviving entity in any merger or consolidation, each outstanding Option thereafter shall pertain to and apply to the securities to which a holder of shares of Stock equal to the shares subject to the Option would have been entitled by reason of such merger or consolidation.

In the event of a change in the Stock of the Company as presently constituted, which is limited to a change of all of its authorized shares without par value into the same number of shares with a par value, the shares resulting from any such change shall be deemed to be the Stock within the meaning of the Plan.

To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Board, whose determination in that respect shall be final, binding and conclusive.

Except as expressly provided in this Section 5(i), the Optionee shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class, and the number or price of shares of Stock subject to any Option shall not be affected by, and no adjustment shall be made by reason of, any dissolution, liquidation, merger, consolidation or sale of assets or capital stock, or any issue by the Company of shares of stock of any class or securities convertible into shares of stock of any class.

The Grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make any adjustments, reclassifications, reorganizations or changes in its capital or business structure or to merge, consolidate, dissolve, or liquidate or to sell or transfer all or any part of its business or assets.

- (j) Rights as a Shareholder: An Optionee shall have no rights as a shareholder with respect to any shares covered by an Option until the effective date of the issuance of the shares following exercise of such Option by Optionee. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such stock certificate is issued, except as expressly provided in Section 5(i) hereof.
- (k) Modification, Acceleration, Extension, and Renewal of Options: Subject to the terms and conditions and within the limitations of the Plan, the Board may modify an Option, or, once an Option is exercisable, accelerate the rate at which it may be exercised, and may extend or renew outstanding Options granted under the Plan or accept the surrender of outstanding Options (to the extent not theretofore exercised) and authorize the granting of new Options in substitution for such Options, provided such action is permissible under Section 422 of the Code and applicable state securities rules. Notwithstanding the provisions of this Section 5(k), however, no modification of an Option shall, without the consent of the Optionee, alter to the Optionee's detriment or impair any rights or obligations under any Option theretofore granted under the Plan.
- (l) Exercise Before Exercise Date: At the discretion of the Board, the Option may, but need not, include a provision whereby the Optionee may elect to exercise all or any portion of the Option prior to the stated exercise date of the Option or any installment thereof. Any shares so purchased prior to the stated exercise date shall be subject to repurchase by the Company upon termination of Optionee's employment as contemplated by Section 5(n) hereof prior to the exercise date stated in the Option and such other restrictions and conditions as the Board or Committee may deem advisable.
- (m) Other Provisions: The Option agreements authorized under the Plan shall contain such other provisions, including, without limitation, restrictions upon the exercise of the Options, as the Board or the Committee shall deem advisable. Shares shall not be issued pursuant to the exercise of an Option, if the exercise of such Option or the issuance of shares thereunder would violate, in the opinion of legal counsel for the Company, the provisions of any applicable law or the rules or regulations of any applicable governmental or administrative agency or body, such as the Code, the Securities Act, the Exchange Act, applicable state securities rules, Delaware corporation law, and the rules promulgated under the foregoing or the rules and regulations of any exchange upon which the shares of the Company are listed. Without limiting the generality of the foregoing, the exercise of each Option shall be subject to the condition that if at any time the Company shall determine that (i) the satisfaction of withholding tax or other similar liabilities, or (ii) the listing, registration or qualification of any shares covered by such exercise upon any securities exchange or under any state or federal law, or (iii) the consent or approval of any regulatory body, or (iv) the perfection of any exemption from any such withholding, listing, registration, qualification, consent or approval is necessary or desirable in connection with such exercise or the issuance of shares thereunder, then in any such event, such exercise shall not be effective unless such withholding, listing registration, qualification, consent, approval or exemption shall have been effected, obtained or perfected free of any conditions not acceptable to the Company.
- (n) Repurchase Agreement: The Board may, in its discretion, require as a condition to the Grant of an Option hereunder, that an Optionee execute an agreement with the Company, in form and substance satisfactory to the Board in its discretion ("**Repurchase Agreement**"), (i) restricting the Optionee's right to transfer shares purchased under such Option without first offering such shares to the Company or another shareholder of the Company upon the same terms and conditions as provided therein; and (ii) providing that upon termination of Optionee's employment with the Company, for any reason, the Company (or another shareholder of the Company, as provided in the Repurchase Agreement) shall have the right at its discretion (or the discretion of such other shareholders) to purchase and/or redeem all such shares owned by the Optionee on the date of termination of his or her employment at a price equal to: (A) the fair value of such shares as of such date of termination; or (B) if such repurchase right lapses at 20% of the number of shares per year, the original purchase price of such shares, and upon terms of payment permissible under applicable state securities rules; provided that in the case of Options or Stock Awards granted to officers, directors, consultants or affiliates of the Company, such repurchase provisions may be subject to additional or greater restrictions as determined by the Board or Committee.

6. Stock Awards and Restricted Stock Purchase Offers.

(a) Types of Grants.

(i) Stock Award. All or part of any Stock Award under the Plan may be subject to conditions established by the Board or the Committee, and set forth in the Stock Award Agreement, which may include, but are not limited to, continuous service with the Company, achievement of specific business objectives, increases in specified indices, attaining growth rates and other comparable measurements of Company performance. Such Awards may be based on Fair Market Value or other specified valuation. All Stock Awards will be made pursuant to the execution of a Stock Award Agreement a form of which shall be approved by the Board of Directors.

(ii) Restricted Stock Purchase Offer. A Grant of a Restricted Stock Purchase Offer under the Plan shall be subject to such (i) vesting contingencies related to the Participant's continued association with the Company for a specified time and (ii) other specified conditions as the Board or Committee shall determine, in their sole discretion, consistent with the provisions of the Plan. All Restricted Stock Purchase Offers shall be made pursuant to a Restricted Stock Purchase Offer a form of which shall be approved by the Board of Directors.

(b) Conditions and Restrictions. Shares of Stock which Participants may receive as a Stock Award under a Stock Award Agreement or Restricted Stock Purchase Offer under a Restricted Stock Purchase Offer may include such restrictions as the Board or Committee, as applicable, shall determine, including restrictions on transfer, repurchase rights, right of first refusal, and forfeiture provisions. When transfer of Stock is so restricted or subject to forfeiture provisions it is referred to as "**Restricted Stock**". Further, with Board or Committee approval, Stock Awards or Restricted Stock Purchase Offers may be deferred, either in the form of installments or a future lump sum distribution. The Board or Committee may permit selected Participants to elect to defer distributions of Stock Awards or Restricted Stock Purchase Offers in accordance with procedures established by the Board or Committee to assure that such deferrals comply with applicable requirements of the Code including, at the choice of Participants, the capability to make further deferrals for distribution after retirement. Any deferred distribution, whether elected by the Participant or specified by the Stock Award Agreement, Restricted Stock Purchase Offers or by the Board or Committee, may require the payment be forfeited in accordance with the provisions of Section 6(c). Dividends or dividend equivalent rights may be extended to and made part of any Stock Award or Restricted Stock Purchase Offers denominated in Stock or units of Stock, subject to such terms, conditions and restrictions as the Board or Committee may establish.

(c) Cancellation and Rescission of Grants. Unless the Stock Award Agreement or Restricted Stock Purchase Offer specifies otherwise, the Board or Committee, as applicable, may cancel any unexpired, unpaid, or deferred Grants at any time if the Participant is not in compliance with all other applicable provisions of the Stock Award Agreement or Restricted Stock Purchase Offer, the Plan and with the following conditions:

- (i) A Participant shall not render services for any organization or engage directly or indirectly in any business which, in the judgment of the chief executive officer of the Company or other senior officer designated by the Board or Committee, is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company. For Participants whose employment has terminated, the judgment of the chief executive officer shall be based on the Participant's position and responsibilities while employed by the Company, the Participant's post-employment responsibilities and position with the other organization or business, the extent of past, current and potential competition or conflict between the Company and the other organization or business, the effect on the Company's customers, suppliers and competitors and such other considerations as are deemed relevant given the applicable facts and circumstances. A Participant who has retired shall be free, however, to purchase as an investment or otherwise, stock or other securities of such organization or business so long as they are listed upon a recognized securities exchange or traded over-the-counter, and such investment does not represent a substantial investment to the Participant or a greater than ten percent (10%) equity interest in the organization or business.
 - (ii) A Participant shall not, without prior written authorization from the Company, disclose to anyone outside the Company, or use in other than the Company's business, any confidential information or material relating to the business of the Company, acquired by the Participant either during or after employment with the Company.
 - (iii) A Participant shall disclose promptly and assign to the Company all right, title and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment by the Company, relating in any manner to the actual or anticipated business, research or development work of the Company and shall do anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in foreign countries.
 - (iv) Upon exercise, payment or delivery pursuant to a Grant, the Participant shall certify on a form acceptable to the Committee that he or she is in compliance with the terms and conditions of the Plan. Failure to comply with all of the provisions of this Section 6(c) prior to, or during the six months after, any exercise, payment or delivery pursuant to a Grant shall cause such exercise, payment or delivery to be rescinded. The Company shall notify the Participant in writing of any such rescission within two years after such exercise, payment or delivery. Within ten days after receiving such a notice from the Company, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery pursuant to a Grant. Such payment shall be made either in cash or by returning to the Company the number of shares of Stock that the Participant received in connection with the rescinded exercise, payment or delivery.
- (d) Nonassignability.
- (i) Except pursuant to Section 6(e)(iii) and except as set forth in Section 6(d)(ii), no Grant or any other benefit under the Plan shall be assignable or transferable, or payable to or exercisable by, anyone other than the Participant to whom it was granted.
 - (ii) Where a Participant terminates employment and retains a Grant pursuant to Section 6(e)(ii) in order to assume a position with a governmental, charitable or educational institution, the Board or Committee, in its discretion and to the extent permitted by law, may authorize a third party (including but not limited to the trustee of a "blind" trust), acceptable to the applicable governmental or institutional authorities, the Participant and the Board or Committee, to act on behalf of the Participant with regard to such Awards.

- (e) Termination of Employment. If the employment or service to the Company of a Participant terminates, other than pursuant to any of the following provisions under this Section 6(e), all unexercised, deferred and unpaid Stock Awards or Restricted Stock Purchase Offers shall be cancelled immediately, unless the Stock Award Agreement or Restricted Stock Purchase Offer provides otherwise:
- (i) Retirement Under a Company Retirement Plan. When a Participant's employment terminates as a result of retirement in accordance with the terms of a Company retirement plan, the Board or Committee may permit Stock Awards or Restricted Stock Purchase Offers to continue in effect beyond the date of retirement in accordance with the applicable Grant Agreement and the exercisability and vesting of any such Grants may be accelerated.
 - (ii) Rights in the Best Interests of the Company. When a Participant resigns from the Company and, in the judgment of the Board or Committee, the acceleration and/or continuation of outstanding Stock Awards or Restricted Stock Purchase Offers would be in the best interests of the Company, the Board or Committee may (i) authorize, where appropriate, the acceleration and/or continuation of all or any part of Grants issued prior to such termination and (ii) permit the exercise, vesting and payment of such Grants for such period as may be set forth in the applicable Grant Agreement, subject to earlier cancellation pursuant to Section 9 or at such time as the Board or Committee shall deem the continuation of all or any part of the Participant's Grants are not in the Company's best interest.
 - (iii) Death or Disability of a Participant.
 - (1) In the event of a Participant's death, the Participant's estate or beneficiaries shall have a period up to the expiration date specified in the Grant Agreement within which to receive or exercise any outstanding Grant held by the Participant under such terms as may be specified in the applicable Grant Agreement. Rights to any such outstanding Grants shall pass by will or the laws of descent and distribution in the following order: (a) to beneficiaries so designated by the Participant; if none, then (b) to a legal representative of the Participant; if none, then (c) to the persons entitled thereto as determined by a court of competent jurisdiction. Grants so passing shall be made at such times and in such manner as if the Participant were living.
 - (2) In the event a Participant is deemed by the Board or Committee to be unable to perform his or her usual duties by reason of mental disorder or medical condition which does not result from facts which would be grounds for termination for cause, Grants and rights to any such Grants may be paid to or exercised by the Participant, if legally competent, or a committee or other legally designated guardian or representative if the Participant is legally incompetent by virtue of such disability.
 - (3) After the death or disability of a Participant, the Board or Committee may in its sole discretion at any time (1) terminate restrictions in Grant Agreements; (2) accelerate any or all installments and rights; and (3) instruct the Company to pay the total of any accelerated payments in a lump sum to the Participant, the Participant's estate, beneficiaries or representative; notwithstanding that, in the absence of such termination of restrictions or acceleration of payments, any or all of the payments due under the Grant might ultimately have become payable to other beneficiaries.
 - (4) In the event of uncertainty as to interpretation of or controversies concerning this Section 6, the determinations of the Board or Committee, as applicable, shall be binding and conclusive.
7. Investment Intent. All Grants under the Plan are intended to be exempt from registration under the Securities Act provided by Rule 701 thereunder. Unless and until the granting of Options or sale and issuance of Stock subject to the Plan are registered under the Securities Act or shall be exempt pursuant to the rules promulgated thereunder, each Grant under the Plan shall provide that the purchases or other acquisitions of Stock thereunder shall be for investment purposes and not with a view to, or for resale in connection with, any distribution thereof. Further, unless the issuance and sale of the Stock have been registered under the Securities Act, each Grant shall provide that no shares shall be purchased upon the exercise of the rights under such Grant unless and until (i) all then applicable requirements of state and federal laws and regulatory agencies shall have been fully complied with to the satisfaction of the Company and its counsel, and (ii) if requested to do so by the Company, the person exercising the rights under the Grant shall (i) give written assurances as to knowledge and experience of such person (or a representative employed by such person) in financial and business matters and the ability of such person (or representative) to evaluate the merits and risks of exercising the Option, and (ii) execute and deliver to the Company a letter of investment intent and/or such other form related to applicable exemptions from registration, all in such form and substance as the Company may require. If shares are issued upon exercise of any rights under a Grant without registration under the Securities Act, subsequent registration of such shares shall relieve the purchaser thereof of any investment restrictions or representations made upon the exercise of such rights.

8. Amendment, Modification, Suspension or Discontinuance of the Plan. The Board may, insofar as permitted by law, from time to time, with respect to any shares at the time not subject to outstanding Grants, suspend or terminate the Plan or revise or amend it in any respect whatsoever, except that without the approval of the shareholders of the Company, no such revision or amendment shall (i) increase the number of shares subject to the Plan, (ii) decrease the price at which Grants may be granted, (iii) materially increase the benefits to Participants, or (iv) change the class of persons eligible to receive Grants under the Plan; provided, however, no such action shall alter or impair the rights and obligations under any Option, or Stock Award, or Restricted Stock Purchase Offer outstanding as of the date thereof without the written consent of the Participant thereunder. No Grant may be issued while the Plan is suspended or after it is terminated, but the rights and obligations under any Grant issued while the Plan is in effect shall not be impaired by suspension or termination of the Plan.

In the event of any change in the outstanding Stock by reason of a stock split, stock dividend, combination or reclassification of shares, recapitalization, merger, or similar event, the Board or the Committee may adjust proportionally (a) the number of shares of Stock (i) reserved under the Plan, (ii) available for Incentive Stock Options and Nonstatutory Options and (iii) covered by outstanding Stock Awards or Restricted Stock Purchase Offers; (b) the Stock prices related to outstanding Grants; and (c) the appropriate Fair Market Value and other price determinations for such Grants. In the event of any other change affecting the Stock or any distribution (other than normal cash dividends) to holders of Stock, such adjustments as may be deemed equitable by the Board or the Committee, including adjustments to avoid fractional shares, shall be made to give proper effect to such event. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board or the Committee shall be authorized to issue or assume stock options, whether or not in a transaction to which Section 424(a) of the Code applies, and other Grants by means of substitution of new Grant Agreements for previously issued Grants or an assumption of previously issued Grants.

9. Tax Withholding. The Company shall have the right to deduct applicable taxes from any Grant payment and withhold, at the time of delivery or exercise of Options, Stock Awards or Restricted Stock Purchase Offers or vesting of shares under such Grants, an appropriate number of shares for payment of taxes required by law or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes. If Stock is used to satisfy tax withholding, such stock shall be valued based on the Fair Market Value when the tax withholding is required to be made.

10. Availability of Information. During the term of the Plan and any additional period during which a Grant granted pursuant to the Plan shall be exercisable, the Company shall make available, not later than one hundred and twenty (120) days following the close of each of its fiscal years, such financial and other information regarding the Company as is required by the bylaws of the Company and applicable law to be furnished in an annual report to the shareholders of the Company.

11. Notice. Any written notice to the Company required by any of the provisions of the Plan shall be addressed to the chief financial officer or to the chief executive officer of the Company, and shall become effective when it is received by the office of the chief personnel officer or the chief executive officer.

12. Indemnification of Board. In addition to such other rights or indemnifications as they may have as directors or otherwise, and to the extent allowed by applicable law, the members of the Board and the Committee shall be indemnified by the Company against the reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any claim, action, suit or proceeding, or in connection with any appeal thereof, to which they or any of them may be a party by reason of any action taken, or failure to act, under or in connection with the Plan or any Grant granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such claim, action, suit or proceeding, except in any case in relation to matters as to which it shall be adjudged in such claim, action, suit or proceeding that such Board or Committee member is liable for negligence or misconduct in the performance of his or her duties; provided that within sixty (60) days after institution of any such action, suit or Board proceeding the member involved shall offer the Company, in writing, the opportunity, at its own expense, to handle and defend the same.

13. Governing Law. The Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the Code or the securities laws of the United States, shall be governed by the law of the State of Delaware and construed accordingly.

14. Effective and Termination Dates. The Plan shall become effective on the date it is approved by the holders of a majority of the shares of Stock then outstanding. The Plan shall terminate ten years later, subject to earlier termination by the Board pursuant to Section 8.



May 3, 2018

PRIVATE AND CONFIDENTIAL

Mr. Philip D. Beck
188 Fairway Road
Lido Beach, New York 11561

Re: Employment Compensation

Dear Philip:

I am pleased to inform you that the Compensation Committee of Ipsidy Inc. (the "Company") has approved the following changes to your compensation.

1. You shall be entitled to a bonus for 2018 equating to 50% of your base salary as of December 31, 2018 ("Bonus") upon the following terms and conditions:
 - (a) You shall receive 100% of the Bonus for Achieving EBITDA. "Achieving EBITDA" shall for the purpose of this letter mean the Company achieving an amount of Adjusted EBITDA for the fiscal year 2018, on a consolidated basis, equal to the Target as approved by the Compensation Committee of the Company on April 11, 2018, as the Adjusted EBITDA is set forth in the financial records of the Company and its subsidiaries calculated on a consistent basis with prior years and as Adjusted EBITDA is defined in the Company's Annual Report on Form 10-K for the year ending December 31, 2018.
 - (b) The percentage of base salary payable as Bonus shall be adjusted upward or downward between 75% and 150% of the Bonus amount based on the percentage achievement of the Target, as shown in the table approved by the Compensation Committee of the Company on April 11, 2018.
2. The Bonus, if earned, shall only be payable to you upon the occurrence of the first to occur of the following events:
 - (a) The achievement by the Company of positive Adjusted EBITDA for one quarter, in any period commencing after December 31, 2018, as shown in the Company's Quarterly Report on Form 10-Q for the relevant quarter; or
 - (b) The raising of an additional \$15,000,000 of funding after the date hereof.

780 Long Beach Boulevard
Long Beach, NY 11561

Ipsidy Inc.
www.ipsidy.com

Phone: 516.274.8700
Fax: 516.274.0313



Mr. Philip D. Beck
May 3, 2018
Page 2

The Bonus shall be paid with your regular payroll, subject to all deductions required by law, upon the next payroll date following satisfaction of all the above conditions.

Thank you for your continued service and commitment to the Company.

Sincerely,

Ipsidy Inc.

/s/ Stuart P. Stoller

Stuart P. Stoller
CFO



May 3, 2018

PRIVATE AND CONFIDENTIAL

Mr. Stuart P. Stoller
 28 Elderberry Lane East
 Valley Stream, NY 11581

Re: Employment Compensation

Dear Stuart:

I am pleased to inform you that the Compensation Committee of Ipsidy Inc. (the "Company") has approved the following changes to your compensation.

1. Your base salary shall be increased by \$12,500 p.a. to the amount of \$237,500 p.a. effective April 1, 2018.
2. You shall be entitled to a bonus for 2018 equating to 40% of your base salary as of December 31, 2018 ("Bonus") upon the following terms and conditions:
 - (a) You shall receive 100% of the Bonus for Achieving EBITDA. "Achieving EBITDA" shall for the purpose of this letter mean the Company achieving an amount of Adjusted EBITDA for the fiscal year 2018, on a consolidated basis, equal to the Target as approved by the Compensation Committee of the Company on April 11, 2018, as the Adjusted EBITDA is set forth in the financial records of the Company and its subsidiaries calculated on a consistent basis with prior years and as Adjusted EBITDA is defined in the Company's Annual Report on Form 10-K for the year ending December 31, 2018.
 - (b) The percentage of base salary payable as Bonus shall be adjusted upward or downward between 75% and 150% of the Bonus amount based on the percentage achievement of the Target, as shown in the table approved by the Compensation Committee of the Company on April 11, 2018.
3. The Bonus, if earned, shall only be payable to you upon the occurrence of the first to occur of the following events:
 - (a) The achievement by the Company of positive Adjusted EBITDA for one quarter, in any period commencing after December 31, 2018, as shown in the Company's Quarterly Report on Form 10-Q for the relevant quarter; or
 - (b) The raising of an additional \$15,000,000 of funding after the date hereof.

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Mr. Stuart P. Stoller
May 3, 2018
Page 2

The Bonus shall be paid with your regular payroll, subject to all deductions required by law, upon the next payroll date following satisfaction of all the above conditions.

Thank you for your continued service and commitment to the Company.

Sincerely,

Ipsidy Inc.

/s/Philip D. Beck

Philip D. Beck
Chairman and CEO



May 3, 2018

PRIVATE AND CONFIDENTIAL

Mr. Thomas R. Szoke
 921 Parkside Pointe Boulevard
 Apopke, FL 32712

Re: Employment Compensation

Dear Tom:

I am pleased to inform you that the Compensation Committee of Ipsidy Inc. (the "Company") has approved the following changes to your compensation.

1. You shall be entitled to a bonus for 2018 equating to 40% of your base salary as of December 31, 2018 ("Bonus") upon the following terms and conditions:
 - (a) You shall receive 33.3% of the Bonus for Achieving EBITDA. "Achieving EBITDA" shall for the purpose of this letter mean the Company achieving an amount of Adjusted EBITDA for the fiscal year 2018, on a consolidated basis, equal to the Target as approved by the Compensation Committee of the Company on April 11, 2018, as the Adjusted EBITDA is set forth in the financial records of the Company and its subsidiaries calculated on a consistent basis with prior years and as Adjusted EBITDA is defined in the Company's Annual Report on Form 10-K for the year ending December 31, 2018.
 - (b) The percentage of base salary payable as Bonus under paragraph 1(a) shall be adjusted upward or downward between 75% and 150% of the Bonus amount based on the percentage achievement of the Target, as shown in the table approved by the Compensation Committee of the Company on April 11, 2018.

The increase or decrease in the amount of the Bonus payable by virtue of this paragraph shall not affect the amount of the Bonus payable pursuant to paragraphs 1(c) or (d)

- (c) You shall receive 33.3% of the Bonus for the timely launch of the Company's new identity products.
 - (d) You shall receive 33.3% of the Bonus for the successful completion of the Zimbabwe Electoral Commission project.
2. The Bonus, if earned, shall only be payable to you upon the occurrence of the first to occur of the following events:

780 Long Beach Boulevard
 Long Beach, NY 11561

Ipsidy Inc.
www.ipsidy.com

Phone: 516.274.8700
 Fax: 516.274.0313



Mr. Thomas R. Szoke
May 3, 2018
Page 2

- (a) The achievement by the Company of positive Adjusted EBITDA for one quarter, in any period commencing after December 31, 2018, as shown in the Company's Quarterly Report on Form 10-Q for the relevant quarter; or
- (b) The raising of an additional \$15,000,000 of funding after the date hereof.

The Bonus shall be paid with your regular payroll, subject to all deductions required by law, upon the next payroll date following satisfaction of all the above conditions.

Thank you for your continued service and commitment to the Company.

Sincerely,

Ipsidy Inc.

/s/ Philip D. Beck

Philip D. Beck
Chairman and CEO

**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: May 4, 2018

/s/Philip Beck

Philip Beck

Chairman of the Board of Directors,
Chief Executive Officer and President
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING 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: May 4, 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 March 31, 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)

May 4, 2018

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