

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

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: 000-54960

**Nxt-ID, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**46-0678374**

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

**288 Christian Street  
Hangar C 2nd Floor  
Oxford, CT 06478**

(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: **(203) 266-2103**

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

Title of each class:

Name of each exchange on which registered:

**Common Stock, par value \$0.0001**

**The Nasdaq Stock Market LLC**

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

**None**

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III or this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The aggregate market value of the common stock held by non-affiliates of the registrant, as of June 28, 2019, the last business day of the second fiscal quarter, was approximately \$19,724,908 based on a total number of shares of our common stock outstanding on that day of 29,680,561 and a closing price of \$0.74. Shares of common stock held by each director, each officer and each person who owns 10% or more of the outstanding common stock have been excluded from this calculation in that such persons may be deemed to be affiliates. The determination of affiliate status is not necessarily conclusive.

The registrant had 30,328,141 shares of its common stock outstanding as of March 30, 2020.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

## TABLE OF CONTENTS

	<u>Page</u>	
<b><u>PART I</u></b>		
<a href="#">Item 1.</a>	<a href="#">Business</a>	1
<a href="#">Item 1A.</a>	<a href="#">Risk Factors</a>	11
<a href="#">Item 1B.</a>	<a href="#">Unresolved Staff Comments</a>	22
<a href="#">Item 2.</a>	<a href="#">Properties</a>	22
<a href="#">Item 3.</a>	<a href="#">Legal Proceedings</a>	22
<a href="#">Item 4.</a>	<a href="#">Mine Safety Disclosures</a>	22
<b><u>PART II</u></b>		
<a href="#">Item 5.</a>	<a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	23
<a href="#">Item 6.</a>	<a href="#">Selected Financial Data</a>	23
<a href="#">Item 7.</a>	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	23
<a href="#">Item 7A.</a>	<a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	29
<a href="#">Item 8.</a>	<a href="#">Financial Statements and Supplementary Data</a>	29
<a href="#">Item 9.</a>	<a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	29
<a href="#">Item 9A.</a>	<a href="#">Controls and Procedures</a>	29
<a href="#">Item 9B.</a>	<a href="#">Other Information</a>	30
<b><u>PART III</u></b>		
<a href="#">Item 10.</a>	<a href="#">Directors, Executive Officers and Corporate Governance</a>	31
<a href="#">Item 11.</a>	<a href="#">Executive Compensation</a>	36
<a href="#">Item 12.</a>	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	39
<a href="#">Item 13.</a>	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	40
<a href="#">Item 14.</a>	<a href="#">Principal Accounting Fees and Services</a>	41
<b><u>PART IV</u></b>		
<a href="#">Item 15.</a>	<a href="#">Exhibits, Financial Statement Schedules</a>	42
<a href="#">Item 16.</a>	<a href="#">Form 10-K Summary</a>	42
<b><u>SIGNATURES</u></b>		45
<b>INDEX TO EXHIBITS</b>		47

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Report”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as “anticipate,” “believe,” “estimate,” “intend,” “could,” “should,” “would,” “may,” “seek,” “plan,” “might,” “will,” “expect,” “predict,” “project,” “forecast,” “potential,” “continue,” negatives thereof or similar expressions. These forward-looking statements are found at various places throughout this Report and include information concerning possible or assumed future results of Nxt-ID, Inc.’s (“Nxt-ID”, the “Company”, “our”, “us” or “we”) operations; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future operations, future cash needs, business plans and future financial results; and any other statements that are not historical facts.

From time to time, forward-looking statements also are included in our other periodic reports on Forms 10-Q and 8-K, in our press releases, in our presentations, on our website and in other materials released to the public. Any or all of the forward-looking statements included in this Report and in any other reports or public statements made by us are not guarantees of future performance and may turn out to be inaccurate. These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

For discussion of factors that we believe could cause our actual results to differ materially from expected and historical results, see “Item 1A - Risk Factors” below.

## PART I

### Item 1. Business

Nxt-ID provides technology products and services for healthcare applications. We have extensive experience in access control, biometric and behavior-metric identity verification, security and privacy, encryption and data protection, payments, miniaturization, and sensor technologies.

During the year ended December 31, 2019, two of our subsidiaries operated in the mobile and IoT-related markets: LogicMark, LLC (“LogicMark”), a manufacturer and distributor of non-monitored and monitored personal emergency response systems (“PERS”) that are sold through dealers, distributors and the United States Department of Veterans Affairs (the “VA”), and Fit Pay, Inc. (“Fit Pay”), a proprietary technology platform that delivers end-to-end solutions to device manufacturers for contactless payment capabilities, credential management, authentication and other secure services within the IoT ecosystem.

Our former wholly-owned subsidiary, Fit Pay, Inc., had a proprietary technology platform that delivers payment, credential management, authentication and other secure services to the IoT ecosystem. The platform uses tokenization, a payment security technology that replaces cardholders’ account information with a unique digital identifier, to transact highly secure contactless payment and authentication services. On September 21, 2018, we announced that our board of directors approved a plan to separate our financial technology business from our healthcare business into an independent publicly traded company. We originally planned to distribute shares of PartX, Inc., a newly created company and wholly-owned subsidiary of the Company (“PartX”), to our stockholders through the execution of a spin-off. As a result, we reclassified our financial technology business to discontinued operations for all periods reported. Our financial technology business was comprised of our Fit Pay subsidiary and the intellectual property developed by the Company, including the Flye Smartcard and the Wocket. On April 29, 2019, a Registration Statement on Form 10 was filed by PartX with the SEC in connection with the planned spin-off of our payments, authentication and credential management business. On August 19, 2019, our subsidiary, PartX notified the SEC that it was withdrawing the Registration Statement on Form 10. With the approval of our board of directors, and upon similar terms and conditions to those set forth in that loan agreement, we entered into a non-binding letter of intent for the sale of our Fit Pay subsidiary, excluding certain assets on August 6, 2019. In connection with the letter of intent, we were advanced \$500,000 of non-interest bearing working capital for Fit Pay. On September 9, 2019, we completed the sale of our Fit Pay subsidiary to Garmin International, Inc. for \$3.32 million in cash.

## **Healthcare**

### ***Overview***

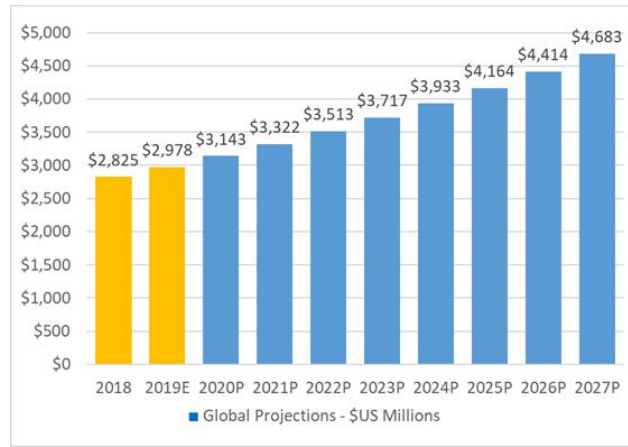
With respect to the healthcare market, our business initiatives are driven by LogicMark, which serves a market that enables two-way communication, medical device connectivity and patient data tracking of key vitals through sensors, biometrics, and security to make home health care a reality. There are four (4) major trends driving this market: (1) an increased desire for connectivity; specifically, a greater desire for connected devices by people over 60 years of age who now represent the fastest growing demographic for social media; (2) the growth of “TeleHealth”, which is the means by which telecommunications technologies are meeting the increased need for health systems to better distribute doctor care across a wider range of health facilities, making it easier to treat and diagnose patients; (3) rising healthcare costs – as healthcare spending continues to outpace the economy, the need to reduce hospital readmissions, increase staffing efficiency and improve patient engagement remain the highest priorities; and (4) the critical shortage of labor in the home healthcare industry, creating an increased need for technology to improve communication to home healthcare agencies by their clients. Together, these trends have produced a large and growing market for us to serve. LogicMark has built a successful business on emergency communications in healthcare. We have a strong business relationship with the VA today, serving veterans who suffer from chronic conditions that often require emergency assistance. This business is steady and growing, producing record revenue in 2019. Our strategic plan calls for expanding LogicMark’s business into other healthcare verticals as well as retail and enterprise channels in order to better serve the expanding demand for connected and remote healthcare solutions.

Home healthcare, is an emerging area for LogicMark. The long-term trend toward more home-based healthcare is a massive shift that is being driven by demographics (an aging population) and basic economics. People also value autonomy and privacy which are important factors in determining which solutions will suit the market. Consumers are beginning to enjoy the benefits of smart home technologies and online digital assistants.

### ***Our Healthcare Monitoring Market Opportunity***

PERS devices are used to call for help and medical care during an emergency. These devices are also used by a wide patient pool, as well as the general population, to ensure safety and security when living or traveling alone. The global medical alert systems market caters to different end-users across the healthcare industry, including individual users, hospitals and clinics, assisted living facilities and senior living facilities. The growing demand for home healthcare devices is mainly driven by an aging population, rising healthcare costs and a severe shortage of workers in the home healthcare market worldwide. It is very beneficial for seniors who have a history of falling or have been identified as having a high fall risk, older individuals who live alone and people who have mobility issues. We believe that the aging population will spur the usage of medical alert systems across the globe, as they offer safety and medical security while being affordable and accessible.

### Global PERS Market Growth



Source: Kenneth Research 2020

The PERS market is divided into three (3) device segments: landline-based PERS, mobile PERS, and standalone devices. The global PERS market is projected to grow at a compound annual growth rate (“CAGR”) of 5.82% to \$4.7 billion in 2027, benefiting from strong demographic tailwinds. As landline usage continues to decrease, other technologies such as cellular and WiFi will be used for in-home systems. According to Kenneth Research, North America, Asia and Europe are the largest markets for PERS, accounting for approximately 36%, 31% and 25% of total sales, respectively, in 2027. According to Kenneth Research, improvements in healthcare infrastructure and emerging economies will fuel growth and significantly improve the relative market share of the rest of world regions.

## Our Health Care Products

LogicMark produces a range of products within the PERS market and has differentiated itself by offering “no monthly fee” products, which only require a one-time purchase fee, instead of a recurring monthly contract. The “no monthly fee” products contact family, friends or 911 directly, eliminating the monthly fee from a monitoring center. As a result, we believe LogicMark’s products are typically the most cost-effective PERS option. LogicMark’s non-monitored solution offers a significant value proposition over monitored solutions.

The cost of ownership of a monitored solution, which includes a monthly service fee, can be as much as \$1,500 – \$3,000 over a five-year period. This compares to a one-time purchase of a LogicMark no monthly fee device, which provides a similar level of security for a purchase price as low as one tenth of that amount.

LogicMark offers both traditional (*i.e.*, landline) and mPERS (*i.e.*, cell-based) options. Our no monthly fee products are sold primarily through the VA and healthcare distributors.

	Product Information	Products	Channel
GuardianAlert	<ul style="list-style-type: none"> <li><input type="checkbox"/> Provides two-way voice communication to 911 via a cordless pendant</li> <li><input type="checkbox"/> Compatible with any standard landline and most VoIP</li> <li><input type="checkbox"/> 600 ft. Pendant Range</li> <li><input type="checkbox"/> Rechargeable Pendant Battery</li> <li><input type="checkbox"/> Package contents include: Pendant, base station, pendant batteries, power adapter, belt clip, lanyard, phone cord splitter, and screwdriver</li> <li><input type="checkbox"/> Additional accessories include: Battery back-up unit and lock box</li> <li><input type="checkbox"/> No monthly fees or service agreements</li> </ul>		VA Distribution/Dealers Direct to Consumer
Guardian Alert 911 Plus	<ul style="list-style-type: none"> <li><input type="checkbox"/> Mobile PERS (mPers) device</li> <li><input type="checkbox"/> Two-way Voice through the pendant</li> <li><input type="checkbox"/> Calls 911 directly</li> <li><input type="checkbox"/> Supervised rechargeable battery (6-9 month standby time)</li> <li><input type="checkbox"/> No monthly fees or service agreements</li> </ul>		VA Distribution/Dealers Direct to Consumer
FreedomAlert	<ul style="list-style-type: none"> <li><input type="checkbox"/> Provides two-way voice communication up to 4 pre-programmed contacts</li> <li><input type="checkbox"/> System allows for 3 modes: call up to 4 contacts; call up to 4 contacts then call 911; and call 911 directly</li> <li><input type="checkbox"/> Compatible with any standard landline and most VoIP</li> <li><input type="checkbox"/> 600 ft Pendant Range</li> <li><input type="checkbox"/> Package contents include: pendant, base station, pendant batteries, power adapter, belt clip, lanyard, phone cord splitter, phone cord, wrist/wheelchair strap.</li> <li><input type="checkbox"/> Additional accessories include: Emergency Wall Communicator and lockbox</li> <li><input type="checkbox"/> No monthly fees or service agreements</li> </ul>		VA Distribution/Dealers Direct to Consumer
Notifi 911+	<ul style="list-style-type: none"> <li><input type="checkbox"/> Cellular system utilizing AT&amp;T network</li> <li><input type="checkbox"/> Two-way voice</li> <li><input type="checkbox"/> Calls 911 directly</li> <li><input type="checkbox"/> Supervised rechargeable battery (3-6 month standby time)</li> <li><input type="checkbox"/> No monthly fees or service agreements</li> </ul>		Retail Direct to Consumer

LogicMark offers monitored products that are primarily sold by dealers and distributors for the monitored product channel. LogicMark sells its devices to the dealers and distributors, who in turn offer the devices to consumers as part of their product/service offering. The service providers charge consumers a monthly monitoring fee for the associated monitoring service. These products are monitored by a third-party central station.

## Our Health Care Competition

LogicMark offers a wide variety of products, enabling it to cater to users with different levels of health and safety needs. Compared to its competitors, we believe LogicMark’s PERS products offer enhanced functionality at the best value due to the one-time purchase for non-monitored solutions.

The chart below summarizes LogicMark’s product offering versus those of its competitors:

	Pendant Range	2-way Rechargeable Pendant	1-way Pendant	Rechargeable Pendant	# of Learned Pendants	Supervised Pendants	Requires Monitoring Contract	Cellular Solution	VoIP Compatible	Ability to call 911	# of People it can call	Optional wall Unit
Guardian Alert	600'	X		X	1	X	N		X	Y	911 only	
Freedom Alert	600'	X		X	4	X	N		X	Y	4 + 911	X
LifeSentry	600'	X		X	4	X	Y		X	N	Central Station	X
CareTaker Sentry	600'	X	X	X	9	X	Y		X	N	Central Station	X
Guardian Alert 911+	NA	X		X	1	NA	N	Y	NA	Y	911 only	
Notifi 911+	NA	X		X	1	NA	N	Y	NA	Y	911 only	
Belle by Freeus	NA	X		X	1	NA	Y	Y	NA	N	Central Station	
Classic Guardian	1300'		X		1	X	Y		X	N	Central Station	
Home Guardian	1300'		X		1	X	Y	Y		N	Central Station	
SkyAngel 911FD	NA	x		X	1	X	N	Y	NA	Y	911 only	
Great Call	NA	X		X	1	NA	Y	Y	NA	N	Central Station	

## Our Health Care Business Strategy

We intend to expand LogicMark’s product distribution by using larger distributors who can leverage the consumer value proposition of offering a one-time device purchase as opposed to a leased monthly solution. We also intend to apply our technology to the next generation of PERS devices that will have greater functionality, innovative design and clinical monitoring capability. We believe that there is further potential for expansion in the domestic and international retail and institutional/senior living markets, and we intend to take advantage of this through a new product offering, Notifi911+, which is a non-monitored device developed for direct-to-consumer sales through retail channels and direct marketing initiatives. We are also seeking to leverage our PERS experience to develop new offerings to serve the home healthcare and senior living markets with WiFi notification services.



Overall, our healthcare division, through LogicMark, is positioned to take advantage of favorable market dynamics, a stable revenue-producing customer base, a differentiated product line, a robust new product development pipeline and compelling growth opportunities.

## **Payments and Financial Technology**

### ***Overview***

Our former wholly-owned subsidiary, Fit Pay, Inc., had a proprietary technology platform that delivered payment, credential management, authentication and other secure services to the IoT ecosystem. The platform used tokenization, a payment security technology that replaces cardholders' account information with a unique digital identifier, to transact highly secure contactless payment and authentication services. Fit Pay connected its customers to leading payment card networks, including VISA, Mastercard, Maestro and Discover, and to credit card issuing banks globally. Fit Pay also commercialized its third-party token service provider platform with the launch of Garmin Pay, which was powered by Fit Pay's platform. Fit Pay's technology and tokenization service enabled the contactless payment feature that is included in smart watches manufactured by Garmin.

On September 21, 2018, we announced that our board of directors approved a plan to separate our financial technology business from our healthcare business into an independent publicly traded company. We originally planned to distribute shares representing our financial technology business into a newly created company and wholly-owned subsidiary of the Company (which we named "PartX"), to our stockholders through the execution of a spin-off. As a result, we reclassified our financial technology business to discontinued operations for all periods reported. Our financial technology business was comprised of our Fit Pay subsidiary and the intellectual property developed by the Company, including the Flye Smartcard and the Wocket. On April 29, 2019, a Registration Statement on Form 10 was filed by PartX with the SEC in connection with the planned spin-off of our payments, authentication and credential management business. On August 19, 2019, our subsidiary, PartX notified the SEC that it was withdrawing the Registration Statement on Form 10 as PartX was unable to secure sufficient investment within the time period specified in a term loan agreement to separately fund the spinoff. With the approval of our board of directors, and upon similar terms and conditions to those set forth in that loan agreement, we entered into a non-binding letter of intent for a potential sale of our Fit Pay subsidiary, excluding certain assets on August 6, 2019. In connection with the letter of intent, the purchaser advanced \$500,000 of non-interest bearing working capital for Fit Pay. On September 9, 2019, we completed the sale of our Fit Pay subsidiary to Garmin International, Inc. for \$3.32 million in cash.

## **Our Intellectual Property**

Our ability to compete effectively depends to a significant extent on our ability to protect our proprietary information. We currently rely and will continue to rely primarily on patents and trade secret laws and confidentiality procedures to protect our intellectual property rights. We have filed the following patent applications, sixteen of which have been awarded to date:

THE UN-PASSWORD™: RISK AWARE END-TO-END MULTI-FACTOR AUTHENTICATION VIA DYNAMIC PAIRING

Filed March 17, 2014

Application Number 14/217,202

Patent Number 9,407,619

UNIVERSAL AUTHENTICATION AND DATA EXCHANGE METHOD, SYSTEM AND SERVICE

Filed October 26, 2018

Application Number 16/172,667

METHOD TO LOCALLY VALIDATE IDENTITY WITHOUT PUTTING PRIVACY AT RISK

Filed September 1, 2015

Application Number 14/842,252

Patent Number 10,282,535

METHOD TO LOCALLY VALIDATE IDENTITY WITHOUT PUTTING PRIVACY AT RISK

Filed May 6, 2019

Application Number 16/404,044

MULTI-INSTANCE SHARED AUTHENTICATION (MISA) METHOD AND SYSTEM PRIOR TO DATA ACCESS

Filed June 23, 2016

Application Number 15/191,466

METHODS AND SYSTEMS RELATED TO MULTI-FACTOR, MULTIDIMENSIONAL, MATHEMATICAL, HIDDEN AND MOTION SECURITY PINS

Filed August 1, 2016

Application Number 15/224,998

Patent Number 10,565,569

COMPONENTS FOR ENHANCING OR AUGMENTING WEARABLE ACCESSORIES BY ADDING ELECTRONICS THERETO

Filed September 2, 2015

Application Number 14/843,930

Patent Number 10,395,240

THE UN-PASSWORD: RISK AWARE END-TO-END MULTI-FACTOR AUTHENTICATION VIA DYNAMIC PAIRING

Filed March 14, 2016

Application Number 15/068,834

Patent Number 10,015,154

THE UN-PASSWORD: RISK AWARE END-TO-END MULTI-FACTOR AUTHENTICATION VIA DYNAMIC PAIRING

Filed July 2, 2018

Application Number 16/025,992

SYSTEM AND METHOD TO PERSONALIZE PRODUCTS AND SERVICES

Filed July 15, 2016

Application No. 15/212,184

SYSTEM AND METHOD TO PERSONALIZE PRODUCTS AND SERVICES

Filed September 6, 2016

Application No. 15/257,101

SYSTEM AND METHOD TO AUTHENTICATE ELECTRONICS USING ELECTRONIC-METRICS

Filed July 5, 2016

Application No. 15/202,553

Patent Number 10,419,428

SYSTEM AND METHOD TO AUTHENTICATE ELECTRONICS USING ELECTRONIC-METRICS

Filed September 15, 2019

Application No. 16/571,171

SYSTEM AND METHOD TO DETERMINE USER PREFERENCES

Filed July 15, 2016

Application No. 15/212,163

PREFERENCE DRIVEN ADVERTISING SYSTEM AND METHOD

Filed July 15, 2016

Application Number 15/212161

AN EVENT DETECTOR FOR ISSUING A NOTIFICATION RESPONSIVE TO OCCURRENCE OF AN EVENT

Filed July 27, 2018

Application Number 16/048,181

METHOD AND SYSTEM TO IMPROVE ACCURACY OF FALL DETECTION USING MULTI-SENSOR FUSION

Filed December 17, 2018

Application Number 16/222,359

METHOD AND SYSTEM TO REDUCE INFRASTRUCTURE COSTS WITH SIMPLIFIED INDOOR LOCATION AND RELIABLE COMMUNICATIONS

Filed November 11, 2019

Application Number 16/679,494

METHOD AND SYSTEM TO DETERMINE AND RECORD CALORIC INTAKE

Filed November 16, 2019

Application Number 62/963,493

WIRELESS CENTRALIZED EMERGENCY SERVICES SYSTEM

Filed January 15, 2008  
Application Number 12/007740  
Patent Number 8,275,346

VOICE-EXTENDING EMERGENCY RESPONSE SYSTEM

Filed September 5, 2008  
Application Number 12/230,841  
Patent Number 8,121,588

LIST-BASED EMERGENCY CALLING DEVICE

Filed March 11, 2009  
Application Number 12/402,304  
Patent Number 8,369,821

ALARM SIGNALING DEVICE AND ALARM SYSTEM

Filed February 2, 2005  
Application Number 10/523,115  
Patent Number 7,312,709

FALL DETECTION SYSTEM HAVING A FLOOR HEIGHT THRESHOLD AND A RESIDENT HEIGHT DETECTION DEVICE

Filed June 27, 2008  
Application Number 12/216,053  
Patent Number 7,893,844

APPARATUS AND METHOD FOR LOCATING AND UPDATING LOW-POWER WIRELESS COMMUNICATION DEVICES

Filed August 24, 2014  
Application Number 14/467,268  
Patent Number 9,472,088

APPARATUS AND METHOD FOR LOCATING AND UPDATING LOW-POWER WIRELESS COMMUNICATION DEVICES

Filed September 8, 2016  
Application Number 15/259,247  
Patent Number 9,900,737

ALARM SIGNALING DEVICE AND ALARM SYSTEM

Canadian patent  
Filed August 1, 2003  
Application Number 2,494,166  
Patent Number 2,494,166

APPARATUS AND METHOD FOR LOCATING AND UPDATING LOW-POWER WIRELESS COMMUNICATION DEVICES

Canadian Patent  
Filed August 11, 2015  
Application Number 2,900180

## APPARATUS AND METHOD FOR LOCATING AND UPDATING LOW-POWER WIRELESS COMMUNICATIONS DEVICES

Filed August 25, 2014

Application Number 14/467,268

Patent Number 9,472,088

## WIRELESS, CENTRALIZED EMERGENCY SERVICES SYSTEM

Filed January 15, 2008

Application Number 12/007,740

Patent Number 8,275,346

We enter into confidentiality agreements with our consultants and key employees, and maintain control over access to and distribution of our technology, software and other proprietary information. The steps that we have taken to protect our technology may be inadequate to prevent others from using what we regard as our technology to compete with us.

We do not generally conduct exhaustive patent searches to determine whether the technology used in our products infringes on the patents that are held by third parties. In addition, product development is inherently uncertain in a rapidly evolving technological environment in which there may be numerous patent applications pending, many of which are confidential when filed, with regard to similar technologies.

We may face claims by third parties that our products or technology infringe their patents or other intellectual property rights in the future. Any claim of infringement could cause us to incur substantial costs defending against the claim, even if the claim is invalid, and could distract the attention of our management. If any of our products are found to violate third-party proprietary rights, we may be required to pay substantial damages. In addition, we may be required to re-engineer our products or seek to obtain licenses from third parties to continue to offer our products. Any efforts to re-engineer our products or obtain licenses on commercially reasonable terms may not be successful, which would prevent us from selling our products, and in any case, could substantially increase our costs and have a material adverse effect on our business, financial condition and results of operations.

### **Corporate Information**

#### *History*

We were incorporated in the State of Delaware on February 8, 2012. As of December 31, 2018, we were no longer an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 (the “Jobs Act”). We are a security technology company and we operate our business in one segment – hardware and software security systems and applications. We are engaged in the development of proprietary products and solutions that serve multiple end markets, including the security, healthcare, financial technology and the Internet of Things (“IoT”) markets. We evaluate the performance of our business on, among other things, profit and loss from operations. With extensive experience in access control, biometric and behavior-metric identity verification, security and privacy, encryption and data protection, payments, miniaturization, and sensor technologies, we develop and market solutions for payment, IoT and healthcare applications.

Our wholly-owned subsidiary, LogicMark LLC (“LogicMark”), manufactures and distributes non-monitored and monitored personal emergency response systems sold through the United States Department of Veterans Affairs, healthcare durable medical equipment dealers and distributors and monitored security dealers and distributors.

On May 23, 2017, we entered into an agreement and plan of merger with Fit Pay, Inc. (“Fit Pay”). Fit Pay, which after the merger, became a wholly-owned subsidiary, had a proprietary technology platform that delivers payment, credential management, authentication and other secure services to the IoT ecosystem. The platform uses tokenization, a payment security technology that replaces cardholders’ account information with a unique digital identifier, to transact highly secure contactless payment and authentication services. On September 21, 2018, we announced that our board of directors approved a plan to separate our financial technology business from our healthcare business into an independent publicly traded company. We originally planned to distribute shares of PartX, Inc., a newly created company and wholly-owned subsidiary of the Company (“PartX”), to our stockholders through the execution of a spin-off. As a result, we reclassified our financial technology business to discontinued operations for all periods reported (See Note 4). Our financial technology business was comprised of our Fit Pay subsidiary and the intellectual property developed by the Company, including the Flye Smartcard and the Wocket. On April 29, 2019, a Registration Statement on Form 10 was filed by PartX with the SEC in connection with the planned spin-off of our payments, authentication and credential management business. On August 19, 2019, our subsidiary, PartX notified the SEC that it was withdrawing the Registration Statement on Form 10. With the approval of our board of directors, and upon similar terms and conditions as those set forth in that loan agreement, we entered into a non-binding letter of intent for the sale of our Fit Pay subsidiary, excluding certain assets on August 6, 2019. In connection with the letter of intent, we were advanced \$500,000 of non-interest bearing working capital for Fit Pay. On September 9, 2019, we completed the sale of our Fit Pay subsidiary to Garmin International, Inc. for \$3.32 million in cash (See Note 4).

## **Other**

Our principal executive offices are located at 288 Christian Street, Hangar C 2nd Floor, Oxford, CT 06478, and our telephone number is (203) 266-2103. Our website address is *www.nxt-id.com*. The information contained therein or connected thereto shall not be deemed to be incorporated into this Report. The information on our website is not part of this Report.

As of December 31, 2018, we were no longer an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”).

## **Employees**

As of December 31, 2019, we had a total of 30 full-time employees, comprising 4 employees in product engineering, 3 employees in finance and administration, 12 employees in sales and customer service and 11 employees in product fulfillment. None of our employees are represented by a collective bargaining agreement, nor have we experienced any work stoppage. We consider our relations with our employees to be good. Our future success depends on our continuing ability to attract and retain highly qualified engineers, graphic designers, computer scientists, sales and marketing and senior management personnel. In addition, we have independent contractors whose services we are using on an as-needed basis to assist with the engineering and design of our products.

## **Item 1A. Risk Factors**

Our business, financial condition and operating results are subject to a number of risk factors, both those that are known to us and identified below and others that may arise from time to time. These risk factors could cause our actual results to differ materially from those suggested by forward-looking statements in this Report and elsewhere, and may adversely affect our business, financial condition or operating results. If any of these risk factors should occur, moreover, the trading price of our securities could decline, and investors in our securities could lose all or part of their investment in our securities. These risk factors should be carefully considered in evaluating our prospects.

### **Risks Relating to our Business**

***We are uncertain of our ability to generate sufficient revenue and profitability in the future.***

We continue to develop and refine our business model, but we can provide no assurance that we will be able to generate a sufficient amount of revenue, from our business in order to achieve profitability. It is not possible for us to predict at this time the potential success of our business. The revenue and income potential of our proposed business and operations are currently unknown. If we cannot continue as a viable entity, you may lose some or all of your investment in our Company.

The Company incurred a net loss from continuing operations of \$2,368,418 for the year ended December 31, 2019. As of December 31, 2019, the Company had cash and stockholders' equity of \$1,587,250 and \$6,714,588 respectively. At December 31, 2019, the Company had a working capital deficiency of \$2,308,407. We cannot provide any assurance that we will be able to raise additional cash from equity financings, secure debt financing, and/or generate revenue from the sales of our products. If we are unable to secure additional capital, we may be required to curtail our research and development initiatives and take additional measures to reduce costs in order to conserve our cash in amounts sufficient to sustain operations and meet our obligations.

***We and the businesses we have recently acquired or propose to acquire have limited operating histories and we cannot offer any assurance as to our future financial results, and you should not rely on the historical financial data included in this annual report as an indicator of our future financial performance.***

We and the businesses we have recently acquired or propose to acquire have limited operating histories upon which to base any assumption as to the likelihood that we will be successful in implementing our business plan, and we may not be able to generate significant revenues or achieve profitability. You should consider our business and prospects in light of the risks and difficulties we face with our limited operating history and should not rely on our past results or the past results of any of such businesses as an indication of our future performance. There is no assurance that the growth rate we or they have experienced to date will continue. Even if we generate future revenues sufficient to expand operations, increased infrastructure costs and cost of goods sold and marketing expenses could impair or prevent us from generating profitable returns. We recognize that if we are unable to generate significant revenues from our business development, we will not be able to earn profits or potentially continue operations. If we are unsuccessful in addressing these risks, our business will most likely fail.

***Significant disruptions of information technology systems or security breaches could adversely affect our business.***

We are increasingly dependent upon information technology systems, infrastructure and data to operate our business. In the ordinary course of business, we collect, store and transmit large amounts of confidential information (including, among other things, trade secrets or other intellectual property, proprietary business information and personal information). It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We also have outsourced elements of our operations to third parties, and as a result we manage a number of third-party vendors who may or could have access to our confidential information. Attacks on information technology systems are increasing in their frequency, levels of persistence, sophistication and intensity, and they are being conducted by increasingly sophisticated and organized groups and individuals with a wide range of motives and expertise. The size and complexity of our information technology systems, and those of third-party vendors with whom we contract, and the large amounts of confidential information stored on those systems, make such systems vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees, third-party vendors, and/or business partners, or from cyber-attacks by malicious third parties. Cyber-attacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information.

Significant disruptions of our information technology systems, or those of our third-party vendors, or security breaches could adversely affect our business operations and/or result in the loss, misappropriation and/or unauthorized access, use or disclosure of, or the prevention of access to, confidential information, including, among other things, trade secrets or other intellectual property, proprietary business information and personal information, and could result in financial, legal, business and reputational harm to us.

Any failure or perceived failure by us or any third-party collaborators, service providers, contractors or consultants to comply with our privacy, confidentiality, data security or similar obligations to third parties, or any data security incidents or other security breaches that result in the unauthorized access, release or transfer of sensitive information, including personally identifiable information, may result in governmental investigations, enforcement actions, regulatory fines, litigation or public statements against us, could cause third parties to lose trust in us or could result in claims by third parties asserting that we have breached our privacy, confidentiality, data security or similar obligations, any of which could have a material adverse effect on our reputation, business, financial condition or results of operations. Moreover, data security incidents and other security breaches can be difficult to detect, and any delay in identifying them may lead to increased harm. While we have implemented data security measures intended to protect our information technology systems and infrastructure, there can be no assurance that such measures will successfully prevent service interruptions or data security incidents.

***If we fail to keep pace with changing industry technology and consumer preferences, we will be at a competitive disadvantage.***

The industry segments in which we are operating are evolving rapidly. They are characterized by changing technology, budding industry standards, frequent new and enhanced product introductions, rapidly changing end-user/consumer preferences and product obsolescence. In order to continue to compete effectively in these markets, we need to respond quickly to technological changes and to understand their impact on our customers' preferences. It may take significant time and resources to respond to these technological changes. If we fail to keep pace with these changes, our business may suffer. Moreover, developments by others may render our technologies and intended products noncompetitive or obsolete, or we may be unable to keep pace with technological developments or other market factors. If any of our competitors implement new technologies before we are able to implement them, those competitors may be able to provide more effective products than ours. Any delay or failure in the introduction of new or enhanced products could have a material adverse effect on our business, results of operations and financial condition. Furthermore, our inability to keep pace with changing industry technology and consumer preferences may cause our inventory to become obsolete at a rate faster than anticipated, which may result in our taking goodwill impairment charges in past or future acquisitions that negatively impact our results of operations.

***If we cannot obtain additional capital required to finance our research and development efforts, our business may suffer and you may lose the value of your investment.***

We may require additional funds to further execute our business plan and expand our business. If we are unable to obtain additional capital when needed, we may have to restructure our business or delay or abandon our development and expansion plans. We will have ongoing capital needs as we expand our business. If we raise additional funds through the sale of equity or convertible securities, your ownership percentage of our common stock will be reduced. In addition, these transactions may dilute the value of our common stock. We may have to issue securities that have rights, preferences and privileges senior to our common stock. The terms of any additional indebtedness may include restrictive financial and operating covenants that would limit our ability to compete and expand. There can be no assurance that we will be able to obtain the additional financing we may need to fund our business, or that such financing will be available on terms acceptable to us.

***We face intense competition in our market, especially from larger, well-established companies, and we may lack sufficient financial or other resources to maintain or improve our competitive position.***

A number of other companies engage in the business of developing applications for facial recognition for access control. The market for biometric security products is intensely competitive, and we expect competition to increase in the future from established competitors and new market entrants. Our current competitors include both emerging or developmental stage companies, such as ourselves, as well as larger companies. Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages such as:

- greater name recognition and longer operating histories;
- larger sales and marketing budgets and resources;
- broader distribution and established relationships with distribution partners and end-customers;
- greater customer support resources;
- greater resources to make acquisitions;
- larger and more mature intellectual property portfolios; and
- substantially greater financial, technical, and other resources.

In addition, some of our larger competitors have substantially broader product offerings and leverage their relationships based on other products or incorporate functionality into existing products to gain business in a manner that discourages users from purchasing our products, including through selling at zero or negative margins, product bundling, or closed technology platforms. Conditions in our market could change rapidly and significantly as a result of technological advancements, partnering by our competitors or continuing market consolidation. New start-up companies that innovate and large competitors that are making significant investments in research and development may invent similar or superior products and technologies that compete with our products and technology. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources.

***Our markets are subject to technological change and our success depends on our ability to develop and introduce new products.***

Each of the governmental and commercial markets for our products is characterized by:

- changing technologies;
- changing customer needs;
- frequent new product introductions and enhancements;
- increased integration with other functions; and
- product obsolescence.

Our success will be dependent in part on the design and development of new products. To develop new products and designs for our target markets, we must develop, gain access to and use leading technologies in a cost-effective and timely manner and continue to expand our technical and design expertise. The product development process is time-consuming and costly, and there can be no assurance that product development will be successfully completed, that necessary regulatory clearances or approvals will be granted on a timely basis, or at all, or that the potential products will achieve market acceptance. Our failure to develop, obtain necessary regulatory clearances or approvals for, or successfully market, potential new products could have a material adverse effect on our business, financial condition and results of operations.



***Claims by others that we infringe their intellectual property rights could increase our expenses and delay the development of our business. As a result, our business and financial condition could be harmed.***

Our industries are characterized by the existence of a large number of patents as well as frequent claims and related litigation regarding patent and other intellectual property rights. We cannot be certain that our products do not and will not infringe issued patents, patents that may be issued in the future, or other intellectual property rights of others.

We do not have the resources to conduct exhaustive patent searches to determine whether the technology used in our products infringe patents held by third parties. In addition, product development is inherently uncertain in a rapidly evolving technological environment in which there may be numerous patent applications pending, many of which are confidential when filed.

We may face claims by third parties that our products or technology infringe on their patents or other intellectual property rights. Any claim of infringement could cause us to incur substantial costs defending against the claim, even if the claim is invalid, and could distract our management. If any of our products are found to violate third-party proprietary rights, we may be required to pay substantial damages. In addition, we may be required to re-engineer our products or obtain licenses from third parties to continue to offer our products. Any efforts to re-engineer our products or obtain licenses on commercially reasonable terms may not be successful, which would prevent us from selling our products, and, in any case, could substantially increase our costs and have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to protect our intellectual property rights adequately.***

Our ability to compete for government contracts is affected, in part, by our ability to protect our intellectual property rights. We rely on a combination of patents, trademarks, copyrights, trade secrets, confidentiality procedures and non-disclosure and licensing arrangements to protect our intellectual property rights. Despite these efforts, we cannot be certain that the steps we take to protect our proprietary information will be adequate to prevent misappropriation of our technology or protect that proprietary information. The validity and breadth of claims in technology patents involve complex legal and factual questions and, therefore, may be highly uncertain. Nor can we assure you that, if challenged, our patents will be found to be valid or enforceable, or that the patents of others will not have an adverse effect on our ability to do business. In addition, the enforcement of laws protecting intellectual property may be inadequate to protect our technology and proprietary information.

We may not have the resources to assert or protect our rights to our patents and other intellectual property. Any litigation or proceedings relating to our intellectual property, whether or not meritorious, will be costly and may divert the efforts and attention of our management and technical personnel.

We also rely on other unpatented proprietary technology, trade secrets and know-how and no assurance can be given that others will not independently develop substantially equivalent proprietary technology, techniques or processes, that such technology or know-how will not be disclosed or that we can meaningfully protect our rights to such unpatented proprietary technology, trade secrets, or know-how. Although we intend to enter into non-disclosure agreements with our employees and consultants, there can be no assurance that such non-disclosure agreements will provide adequate protection for our trade secrets or other proprietary know-how.

***Our success will depend, in part, on our ability to obtain new patents.***

Our success will depend, in part, on our ability to obtain patent and trade secret protection for proprietary technology that we currently possess or that we may develop in the future. No assurance can be given that any pending or future patent applications will issue as patents, that the scope of any patent protection obtained will be sufficient to exclude competitors or provide competitive advantages to us, that any of our patents will be held valid if subsequently challenged or that others will not claim rights in or ownership of the patents and other proprietary rights held by us.

Furthermore, there can be no assurance that our competitors have not or will not independently develop technology, processes or products that are substantially similar or superior to ours, or that they will not duplicate any of our products or design around any patents issued or that may be issued in the future to us. In addition, whether or not patents are issued to us, others may hold or receive patents which contain claims having a scope that covers products or processes developed by us.

We may not have the resources to adequately defend any patent infringement litigation or proceedings. Any such litigation or proceedings, whether or not determined in our favor or settled by us, is costly and may divert the efforts and attention of our management and technical personnel. In addition, we may be required to obtain licenses to patents or proprietary rights from third parties. There can be no assurance that such licenses will be available on acceptable terms if at all. If we do not obtain required licenses, we could encounter delays in product development or find that the development, manufacture or sale of products requiring such licenses could be foreclosed. Accordingly, challenges to our intellectual property, whether or not ultimately successful, could have a material adverse effect on our business and results of operations.

***Our business, financial condition and results of operations may be adversely affected by the recent coronavirus outbreak or other similar epidemics or adverse public health developments***

The outbreak of the novel coronavirus (COVID-19) has caused many governments to implement quarantines and significant restrictions on travel, or to advise that people remain at home where possible and avoid crowds. This has led to many businesses shutting down or limiting operations as well as greater uncertainty in financial markets. Any economic downturns or adverse impacts resulting from the coronavirus or other similar epidemics or adverse public health developments may increase the likelihood of our distributors and/or the VA significantly reducing orders for our products or being unable to pay us in accordance with the terms of already fulfilled orders. Additionally, our primary third-party suppliers are located in China and other countries in Asia. Notwithstanding that the coronavirus pandemic appears to have been initiated in China, to date, we have not experienced any significant disruptions in our sources of supply for our products. If, in the future, we experience, delays or disruptions, such as difficulty obtaining components and temporary suspension of operations, our existing inventory levels may not be sufficient, and our business, financial condition and results of operations could be materially and adversely affected, in the event that the slowdown or suspension carries on for a long period of time. As a result of the current or future epidemics, we may also be impacted by shutdowns, employee impacts from illness and other community response measures meant to prevent spread of the virus, all of which could negatively impact our business, financial condition and results of operations. Further, if we are regularly unable to meet our obligations to deliver our products to distributors and/or the VA, they may decide to terminate or reduce their distribution arrangements with us and our business could be adversely affected. The extent to which the coronavirus impacts our results will depend on future developments, which are highly uncertain and will include emerging information concerning the severity of the coronavirus and the actions taken by governments and private businesses to attempt to contain the coronavirus.

***Our future success depends on the continued service of management, engineering and sales personnel and our ability to identify, hire and retain additional personnel.***

Our success depends, to a significant extent, upon the efforts and abilities of members of senior management. We have not entered into an employment agreement with our President, Chief Executive Officer and Chief Financial Officer, or our Chief Technology Officer. The loss of the services of one or more of our senior management or other key employees could adversely affect our business.

There is intense competition for qualified employees in our industry, particularly for highly skilled design, applications, engineering and sales people. We may not be able to continue to attract and retain developers, managers, or other qualified personnel necessary for the development of our business or to replace qualified individuals who may leave us at any time in the future. Our anticipated growth is expected to place increased demands on our resources, and will likely require the addition of new management and engineering staff as well as the development of additional expertise by existing management employees. If we lose the services of or fail to recruit engineers or other technical and management personnel, our business could be harmed.

***The requirements of being a public company may strain our resources and divert management's attention.***

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual and current reports with the SEC with respect to our business and operating results.

As a result of disclosure of information in this Report and in filings required of a public company, our business and financial condition is more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert resources of our management and harm our business and operating results.

***Periods of rapid growth and expansion could place a significant strain on our resources, including our employee base, which could negatively impact our operating results.***

We may experience periods of rapid growth and expansion, which may place significant strain and demands on our management, our operational and financial resources, customer operations, research and development, marketing and sales, administrative, and other resources. To manage our possible future growth effectively, we will be required to continue to improve our management, operational and financial systems. Future growth would also require us to successfully hire, train, motivate and manage our employees. In addition, our continued growth and the evolution of our business plan will require significant additional management, technical and administrative resources. If we are unable to manage our growth successfully we may not be able to effectively manage the growth and evolution of our current business and our operating results could suffer.

***We depend on contract manufacturers, and our production and products could be harmed if it is unable to meet our volume and quality requirements and alternative sources are not available.***

We rely on contract manufacturers to provide manufacturing services for our products. If these services become unavailable, we would be required to identify and enter into an agreement with a new contract manufacturer or take the manufacturing in-house. The loss of our contract manufacturers could significantly disrupt production as well as increase the cost of production, thereby increasing the prices of our products. These changes could have a material adverse effect on our business and results of operations.

***We are presently a small company with too limited resources and personnel to establish a comprehensive system of internal controls. If we fail to maintain an effective system of internal controls, we would not be able to accurately report our financial results on a timely basis or prevent fraud. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our common stock.***

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our brand and operating results would be harmed. We may in the future discover areas of our internal controls that need improvement. For example, because of size and limited resources, our external auditors may determine that we lack the personnel and infrastructure necessary to properly carry out an independent audit function. Although we believe that we have adequate internal controls for a company with our size and resources, we are not certain that the measures that we have in place will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, would harm our operating results or cause us to fail to meet our reporting obligations. Inferior internal controls would also cause investors to lose confidence in our reported financial information, which would have a negative effect on our company and the trading price of our common stock.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.

As of December 31, 2019, we have identified certain matters that constituted material weaknesses in our internal controls over financial reporting. See Item 9A. for further discussion on Controls and Procedures.

***If we do not effectively manage changes in our business, these changes could place a significant strain on our management and operations.***

Our ability to grow successfully requires an effective planning and management process. The expansion and growth of our business could place a significant strain on our management systems, infrastructure and other resources. To manage our growth successfully, we must continue to improve and expand our systems and infrastructure in a timely and efficient manner. Our controls, systems, procedures and resources may not be adequate to support a changing and growing company. If our management fails to respond effectively to changes and growth in our business, including acquisitions, this could have a material adverse effect on our business, financial condition, results of operations and future prospects.

***We may not be able to access the equity or credit markets.***

We face the risk that we may not be able to access various capital sources including investors, lenders, or suppliers. Failure to access the equity or credit markets from any of these sources could have a material adverse effect on our business, financial condition, results of operations, and future prospects.

***Persistent global economic trends could adversely affect our business, liquidity and financial results.***

Although improving, persistent global economic conditions, particularly the scarcity of capital available to smaller businesses, could adversely affect us, primarily through limiting our access to capital and disrupting our clients' businesses. In addition, continuation or worsening of general market conditions in economies important to our businesses may adversely affect our clients' level of spending and ability to obtain financing, leading to us being unable to generate the levels of sales that we require. Current and continued disruption of financial markets could have a material adverse effect on our business, financial condition, results of operations and future prospects.

We may seek or need to raise additional funds. Our ability to obtain financing for general corporate and commercial purposes or acquisitions depends on operating and financial performance, and is also subject to prevailing economic conditions and to financial, business and other factors beyond our control. The global credit markets and the financial services industry have recently experienced a period of unprecedented turmoil characterized by the bankruptcy, failure or sale of various financial institutions. An unprecedented level of intervention from the U.S. and other governments has been seen. As a result of such disruption, our ability to raise capital may be severely restricted and the cost of raising capital through such markets or privately may increase significantly at a time when we would like, or need, to do so. Either of these events could have an impact on our flexibility to fund our business operations, make capital expenditures, pursue additional expansion or acquisition opportunities, or make another discretionary use of cash and could adversely impact our financial results.

Although recent trends point to continuing improvements, there is still lingering volatility and uncertainty. Recently there has been greater volatility in the financial markets as a result of uncertainty caused by the outbreak of the coronavirus disease 2019 (“COVID-19”), which originated in China and continues to spread, including to the United States and Europe. A change or disruption in the global financial markets for any reason, including COVID-19 or other epidemics, may cause consumers, businesses and governments to defer purchases in response to tighter credit, decreased cash availability and declining consumer confidence. Accordingly, demand for our products could decrease and differ materially from current expectations. Further, some of our customers may require substantial financing in order to fund their operations and make purchases from us. The inability of these customers to obtain sufficient credit to finance purchases of our products and meet their payment obligations to us or possible insolvencies of our customers could result in decreased customer demand, an impaired ability for us to collect on outstanding accounts receivable, significant delays in accounts receivable payments, and significant write-offs of accounts receivable, each of which could adversely impact our financial results.

***Rising interest rates could adversely impact our business.***

Changes in interest rates could have an adverse impact on our business by increasing our cost of capital. For example:

- rising interest rates would increase our cost of capital; and
- rising interest rates may negatively impact our ability to secure financing on favorable terms and may impact our ability to provide cost-effective financing to our end-customers or end-users, where applicable.

Rising interest rates could generally harm our business and financial condition.

**Risks Related to Our Biometric Recognition Applications and Related Products**

***Our biometric products and technologies may not be accepted by the intended commercial consumers of our products, which could harm our future financial performance.***

There can be no assurance that our biometric systems will achieve wide acceptance by commercial consumers of such security-based products, and/or market acceptance generally. The degree of market acceptance for products and services based on our technology will also depend upon a number of factors, including the receipt and timing of regulatory approvals, if any, and the establishment and demonstration of the ability of our proposed device to provide the level of security in an efficient manner and at a reasonable cost. Our failure to develop a commercial product to compete successfully with existing security technologies could delay, limit or prevent market acceptance. Moreover, the market for new biometric-based security systems is largely undeveloped, and we believe that the overall demand for mobile biometric-based security systems technology will depend significantly upon public perception of the need for such a level of security. There can be no assurance that the public will believe that our level of security is necessary or that the security industry will actively pursue our technology as a means to solve their security issues. Long-term market acceptance of our products and services will depend, in part, on the capabilities, operating features and price of our products and technologies as compared to those of other available products and services. As a result, there can be no assurance that currently available products, or products under development for commercialization, will be able to achieve market penetration, revenue growth or profitability.

***Our biometric applications may become obsolete if we do not effectively respond to rapid technological change on a timely basis.***

The biometric identification and personal identification industries are characterized by rapid technological change, frequent new product innovations, changes in customer requirements and expectations and evolving industry standards. If we are unable to keep pace with these changes, our business may be harmed. Products using new technologies, or emerging industry standards, could make our technologies less attractive. In addition, we may face unforeseen problems when developing our products, which could harm our business. Furthermore, our competitors may have access to technologies not available to us, which may enable them to produce products of greater interest to consumers or at a more competitive cost.

Our biometric applications are new and our business model is evolving. Because of the new and evolving nature of biometric technology, it is difficult to predict the size of this specialized market, the rate at which the market for our biometric applications will grow or be accepted, if at all, or whether other biometric technologies will render our applications less competitive or obsolete. If the market for our biometric applications fails to develop or grows slower than anticipated, we would be significantly and materially adversely affected.

***If our products and services do not achieve market acceptance, we may never have significant revenues or any profits.***

If we are unable to operate our business as contemplated by our business model or if the assumptions underlying our business model prove to be unfounded, we could fail to achieve our revenue and earnings goals within the time we have projected, or at all, which would have a detrimental effect on our business. As a result, the value of your investment could be significantly reduced or completely lost.

***We may in the future experience competition from other biometric application developers.***

Competition in the development of biometric recognition is expected to become more intense. Competitors range from university-based research and development graphics labs to development-stage companies and major domestic and international companies. Many of these entities have financial, technical, marketing, sales, distribution and other resources significantly greater than those that we have. There can be no assurance that we can continue to develop our biometric technologies or that present or future competitors will not develop technologies that render our biometric applications obsolete or less marketable or that we will be able to introduce new products and product enhancements that are competitive with other products marketed by industry participants.

***We may fail to create new applications for our products and enter new markets, which would have an adverse effect on our operations, financial condition and prospects.***

Our future success depends in part on our ability to develop and market our technology for applications other than those currently intended. If we fail in these goals, our business strategy and ability to generate revenues and cash flow would be significantly impaired. We intend to expend significant resources to develop new technology, but the successful development of new technology cannot be predicted and we cannot guarantee we will succeed in these goals.

***Our products may have defects, which could damage our reputation, decrease market acceptance of our products, cause us to lose customers and revenue and result in costly litigation or liability.***

Our products may contain defects for many reasons, including defective design or manufacture, defective material or software interoperability issues. Products as complex as those we offer, frequently develop or contain undetected defects or errors. Despite testing defects or errors may arise in our existing or new products, which could result in loss of revenue, market share, failure to achieve market acceptance, diversion of development resources, injury to our reputation, and increased service and maintenance cost. Defects or errors in our products and solutions might discourage customers from purchasing future products. Often, these defects are not detected until after the products have been shipped. If any of our products contain defects or perceived defects or have reliability, quality or compatibility problems or perceived problems, our reputation might be damaged significantly, we could lose or experience a delay in market acceptance of the affected product or products and might be unable to retain existing customers or attract new customers. In addition, these defects could interrupt or delay sales. In the event of an actual or perceived defect or other problem, we may need to invest significant capital, technical, managerial and other resources to investigate and correct the potential defect or problem and potentially divert these resources from other development efforts. If we are unable to provide a solution to the potential defect or problem that is acceptable to our customers, we may be required to incur substantial product recall, repair and replacement and even litigation costs. These costs could have a material adverse effect on our business and operating results.

We will provide warranties on certain product sales and allowances for estimated warranty costs are recorded during the period of sale. The determination of such allowances requires us to make estimates of product return rates and expected costs to repair or to replace the products under warranty. We will establish warranty reserves based on our best estimates of warranty costs for each product line combined with liability estimates based on the prior twelve months' sales activities. If actual return rates and/or repair and replacement costs differ significantly from our estimates, adjustments to recognize additional cost of sales may be required in future periods. In addition, because our customers rely on secure authentication and identification of cardholders to prevent unauthorized access to programs, PCs, networks, or facilities, a malfunction of or design defect in its products (or even a perceived defect) could result in legal or warranty claims against us for damages resulting from security breaches. If such claims are adversely decided against us, the potential liability could be substantial and have a material adverse effect on our business and operating results. Furthermore, the possible publicity associated with any such claim, whether or not decided against us, could adversely affect our reputation. In addition, a well-publicized security breach involving smart card-based or other security systems could adversely affect the market's perception of products like ours in general, or our products in particular, regardless of whether the breach is attributable to our products. Any of the foregoing events could cause demand for our products to decline, which would cause its business and operating results to suffer.

## Risks Related to our Securities

***The market price for our common stock is particularly volatile given our status as a relatively unknown company with a small and thinly traded public float, and lack of profits, which could lead to wide fluctuations in the price of our common stock.***

The market for our common stock is characterized by significant price volatility when compared to the securities of larger, more established companies that trade on a national securities exchange and have large public floats, and we expect that the price of our common stock will continue to be more volatile than the securities of such larger, more established companies for the indefinite future. The volatility in the price of our common stock is attributable to a number of factors. First, as noted above, our common stock is, compared to the securities of such larger, more established companies, sporadically and thinly traded. The price of our common stock could, for example, decline precipitously in the event that a large number of shares of our common stock is sold on the market without commensurate demand. Secondly, we are a speculative or “risky” investment due to our lack of profits to date. As a consequence of this enhanced risk, more risk-averse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares of common stock on the market more quickly and at greater discounts than would be the case with the securities of a larger, more established company that trades on a national securities exchange and has a large public float. Many of these factors are beyond our control and may decrease the market price of our common stock regardless of our operating performance.

***If we are not able to comply with the applicable continued listing requirements or standards of the NASDAQ Capital Market, our common stock could be delisted from such exchange.***

Our common stock is currently listed on the NASDAQ Capital Market (“NASDAQ”). In order to maintain such listing, we must satisfy minimum financial and other continued listing requirements and standards, including those regarding director independence and independent committee requirements, minimum stockholders’ equity, minimum share price, and certain corporate governance requirements.

On May 24, 2019, we were notified by Nasdaq that the bid price of our common stock had failed to satisfy the minimum bid price requirement and in accordance with Nasdaq’s Listing Rules, we were granted a 180 calendar day compliance period, or until November 20, 2019, to regain compliance with the minimum bid price requirements. In order to regain compliance, the closing bid price of our common stock was required to be at least \$1 per share for a minimum of 10 consecutive business days during this 180-day period. Our common stock did not regain compliance with the minimum \$1 bid price per share requirement as of November 20, 2019. By letter dated November 14, 2019, we requested an extension of an additional 180 days in which to regain compliance. On November 21, 2019, we received notice from Nasdaq indicating that, while we had not regained compliance with the minimum bid price requirement, the staff of Nasdaq had determined that we were eligible for an additional 180-day period, or until May 18, 2020, to regain compliance. The staff’s determination was based on (i) our meeting the continued listing requirement for market value of our publicly held shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the bid price requirement, and (ii) our providing written notice to Nasdaq of our intent to cure the deficiency during this second compliance period, if necessary, by effecting a reverse stock split. If at any time during this second 180-day period the closing bid price of our common stock is at least \$1 per share for at least a minimum of 10 consecutive business days, the Nasdaq staff stated it will provide written confirmation of compliance. If compliance cannot be demonstrated by May 18, 2020, the Nasdaq staff will provide written notification that our securities will be delisted. At that time, we may appeal the staff’s determination to a hearings panel.

There can be no assurances that we will be able to regain compliance with Nasdaq’s listing standards or if we do later regain compliance with Nasdaq’s listing standards, will be able to continue to comply with the applicable listing standards. If we are unable to maintain compliance with these Nasdaq requirements, our common stock will be delisted from Nasdaq.

***In the event that our common stock is delisted from NASDAQ, U.S. broker-dealers may be discouraged from effecting transactions in shares of our common stock because they may be considered penny stocks and thus be subject to the penny stock rules.***

The SEC has adopted a number of rules to regulate “penny stock” that restricts transactions involving stock which is deemed to be penny stock. Such rules include Rules 3a51-1, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6, 15g-7, and 15g-9 under the Exchange Act. These rules may have the effect of reducing the liquidity of penny stocks. “Penny stocks” generally are equity securities with a price of less than \$5.00 per share (other than securities registered on certain national securities exchanges or quoted on the NASDAQ Stock Market if current price and volume information with respect to transactions in such securities is provided by the exchange or system). Our shares of common stock have in the past constituted, and may again in the future constitute, “penny stock” within the meaning of the rules. The additional sales practice and disclosure requirements imposed upon U.S. broker-dealers may discourage such broker-dealers from effecting transactions in shares of our common stock, which could severely limit the market liquidity of such shares of common stock and impede their sale in the secondary market.

A U.S. broker-dealer selling a penny stock to anyone other than an established customer or “accredited investor” (generally, an individual with a net worth in excess of \$1,000,000 or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser’s written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt. In addition, the “penny stock” regulations require the U.S. broker-dealer to deliver, prior to any transaction involving a “penny stock”, a disclosure schedule prepared in accordance with SEC standards relating to the “penny stock” market, unless the broker-dealer or the transaction is otherwise exempt. A U.S. broker-dealer is also required to disclose commissions payable to the U.S. broker-dealer and the registered representative and current quotations for the securities. Finally, a U.S. broker-dealer is required to submit monthly statements disclosing recent price information with respect to the “penny stock” held in a customer’s account and information with respect to the limited market in “penny stocks”.

Stockholders should be aware that, according to the SEC, the market for “penny stocks” has suffered in recent years from patterns of fraud and abuse. Such patterns include: (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) “boiler room” practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, resulting in investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities.

***If and when a larger trading market for our common stock develops, the market price of our common stock is still likely to be highly volatile and subject to wide fluctuations, and you may be unable to resell your shares of common stock at or above the price at which you acquired them.***

The market price of our common stock may be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including, but not limited to:

- variations in our revenues and operating expenses;
- actual or anticipated changes in the estimates of our operating results or changes in stock market analyst recommendations regarding our common stock, other comparable companies or our industry generally;
- market conditions in our industry, the industries of our customers and the economy as a whole;
- actual or expected changes in our growth rates or our competitors’ growth rates;
- developments in the financial markets and worldwide or regional economies;
- announcements of innovations or new products or services by us or our competitors;
- announcements by the government relating to regulations that govern our industry;
- sales of our common stock or other securities by us or in the open market; and
- changes in the market valuations of other comparable companies.

In addition, if the market for technology stocks or the stock market in general experiences loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry, even if these events do not directly affect us. Each of these factors, among others, could harm the value of your investment in our common stock. In the past, following periods of volatility in the market, securities class-action litigation has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect our business, operating results and financial condition.

We may acquire other technologies or finance strategic alliances by issuing our equity or equity-linked securities, which may result in additional dilution to our stockholders.

***Our stockholders may experience significant dilution.***

Although certain exercise restrictions are placed upon the holders of our warrants, the issuance of material amounts of common stock by us would cause our existing stockholders to experience significant dilution in their investment in us. In addition, if we obtain additional financing involving the issuance of equity securities or securities convertible into equity securities, our existing stockholders' investment would be further diluted. Such dilution could cause the market price of our common stock to decline, which could impair our ability to raise additional financing.

***We do not anticipate paying dividends in the foreseeable future; you should not buy our common stock if you expect dividends.***

The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

We currently intend to retain our future earnings to support operations and to finance expansion and, therefore, we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

***We could issue "blank check" preferred stock without stockholder approval with the effect of diluting then current stockholder interests and impairing their voting rights; and provisions in our charter documents could discourage a takeover that stockholders may consider favorable.***

Our certificate of incorporation authorizes the issuance of up to 10,000,000 shares of "blank check" preferred stock with designations, rights and preferences as may be determined from time to time by our board of directors. Our board of directors is empowered, without stockholder approval, to issue a series of preferred stock with dividend, liquidation, conversion, voting or other rights which could dilute the interest of, or impair the voting power of, our common stockholders. The issuance of a series of preferred stock could be used as a method of discouraging, delaying or preventing a change in control of the Company. For example, it would be possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of the Company.

***Financial Industry Regulatory Authority ("FINRA") sales practice requirements may limit a stockholder's ability to buy and sell our common stock.***

FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for certain customers. FINRA requirements will likely make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may have the effect of reducing the level of trading activity in our common stock. As a result, fewer broker-dealers may be willing to make a market in our common stock, reducing a stockholder's ability to resell shares of our common stock.



**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

**Properties**

Our principal executive offices are located in Oxford, Connecticut. On September 12, 2014, the Company entered into a lease agreement for this office space. The lease term commenced on October 1, 2014 and the lease term was for two (2) years. The Company is currently leasing this office space on a month-to-month basis with a monthly rent of \$1,925.

On October 16, 2013, the Company entered into a lease agreement for office space in Palm Bay, Florida. The term of the lease commenced on May 1, 2014 and was for three (3) years with a monthly rent of \$1,250 in the first year, increasing 3% annually thereafter. The Company is currently leasing this office space on a month-to-month basis with a monthly rent of \$1,918.

As a result of the LogicMark acquisition on July 25, 2016, we assumed two (2) facility leases. One of the leases was for office space located in Plymouth, Minnesota with a monthly rent of \$1,170. This lease agreement expired in February 2018. In addition, LogicMark subleased office and warehouse space located in Louisville, Kentucky. The subleasing agreement expired on August 31, 2017. On June 6, 2017, we entered into a new three-year lease agreement for the same office and warehouse space located in Louisville, Kentucky. The current monthly rent for the space is \$7,279 and this lease agreement expires in August 2020.

**Item 3. Legal Proceedings**

Subsequent to December 31, 2019, on February 24, 2020, Michael J. Orlando, a former executive officer and director of the Company, as Shareholder Representative, and the other stockholders of Fit Pay (collectively, the “Fit Pay Shareholders”), filed a lawsuit in the United States District Court for the Southern District of New York against the Company, CrowdOut Capital, LLC, and Garmin International, Inc. (the “Complaint”). The Complaint alleges the Company has breached certain contractual obligations under a merger agreement, dated May 23, 2017, between Fit Pay and the Company (the “Merger Agreement”), regarding certain future, contingent earnout payments allegedly that could be owed to the Fit Pay Shareholders from future revenues (the “Earnout Payments”). The Company previously disclosed the Merger Agreement in a Current Report on Form 8-K filed with the Securities and Exchange Commission on May 30, 2017. The Complaint seeks monetary damages from the defendants. The Company believes that these claims are without merit and plans to vigorously defend the action.

From time to time we may be involved in various claims and legal actions arising in the ordinary course of our business. Other than the Complaint described above, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of our executive officers or the executive officers of any of our subsidiaries, threatened against or affecting us, or any of our subsidiaries in which an adverse decision could have a material adverse effect upon our business, operating results, or financial condition.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information

Our common stock trades on the Nasdaq Capital Market ("NASDAQ") under the symbol "NXTD."

#### Holders

As of March 29, 2020, there were approximately 97 holders of record of our common stock. This number does not include shares of common stock held by brokerage clearing houses, depositories or others in unregistered form.

#### Dividends

We have never declared or paid dividends on our common stock, and our board of directors does not intend to declare or pay any dividends on our common stock in the foreseeable future. Our earnings are expected to be retained for use in expanding our business. The declaration and payment in the future of any cash or stock dividends on our common stock will be at the discretion of our board of directors and will depend upon a variety of factors, including our future earnings, capital requirements, financial condition and such other factors as our board of directors may consider to be relevant from time to time.

#### Securities Authorized For Issuance under Equity Compensation Plans

Reference is made to "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters—Securities Authorized for Issuance under Equity Compensation Plans" for the information required by this item.

#### Recent Sales of Unregistered Securities

None.

### Item 6. Selected Financial Data.

We are not required to provide the information required by this Item 6 as we are a smaller reporting company.

### Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations.

#### Results of Operations

##### *Year ended December 31, 2019 compared with the year ended December 31, 2018.*

*Revenue.* Our revenues from continuing operations for the year ended December 31, 2019 were \$17,137,301 compared to \$17,116,511 for the year ended December 31, 2018. Our revenues were essentially flat for the year ended December 31, 2019 as compared to the year ended December 31, 2018. In 2019 we experienced a favorable shift in product sales mix from land-based products to mobile products which typically have a higher sales price on per-unit basis; the revenue increase from this favorable shift was partially offset by decreased sales volume in LogicMark's commercial sales.

*Cost of Revenue and Gross Profit.* Our gross profit and gross profit margin for the year ended December 31, 2019 was \$12,768,806 and 75%, respectively, compared to a gross profit and gross profit margin of \$12,312,720 and 72%, respectively, for the year ended December 31, 2018. The increase in our gross profit margin for the year ended December 31, 2019 as compared to the year ended December 31, 2018 is primarily attributable to the higher gross profit resulting from the favorable shift in product sales mix discussed above which was partially offset by the decreased gross profit margin resulting from the decreased sales volume in LogicMark's commercial product sales.

*Operating Expenses.* Operating expenses for the year ended December 31, 2019 totaled \$10,191,015 and consisted of research and development expenses of \$1,208,536, selling and marketing expenses of \$3,279,317 and general and administrative expenses of \$5,703,162. For the year ended December 31, 2019, the research and development expenses related primarily to salaries and consulting services of \$848,596. Selling and marketing expenses consisted primarily of salaries and consulting services of \$734,752, amortization of intangibles of \$761,815, freight charges of \$658,889, merchant processing fees of \$415,447, and sales commissions of \$296,619. General and administrative expenses for the year ended December 31, 2019 consisted of salaries and consulting services of \$1,673,676, accrued management and employee incentives of \$284,785, and legal, audit and accounting fees of \$776,767. Also included is \$240,205 in non-cash stock compensation to vendors, employees and board members.

Operating expenses for the year ended December 31, 2018 totaled \$11,725,231 and consisted of research and development expenses of \$761,722, selling and marketing expenses of \$4,110,616 and general and administrative expenses of \$6,852,893. The research and development expenses related primarily to salaries and consulting services of \$638,133. Selling and marketing expenses consisted primarily of salaries of \$1,257,945, amortization of intangibles of \$761,815, freight charges of \$605,067, merchant processing fees of \$392,604, and sales commissions of \$289,533. General and administrative expenses for the year ended December 31, 2018 consisted of salaries and consulting services of \$1,911,421, accrued management and employee incentives of \$909,264, and legal, audit and accounting fees of \$859,641. Also included is \$933,217 in non-cash stock compensation to vendors, employees and board members.

Our operating expenses for the year ended December 31, 2019 were approximately \$1,500,000 lower as compared to our operating expenses for the year ended December 31, 2018. The lower operating expenses for the year ended December 31, 2019 versus the year ended December 31, 2018 is primarily attributable to the significant cost reductions and cost containment efforts implemented by the Company in 2019 and lower non-cash stock compensation expense in 2019 as compared to 2018.

*Operating Profit (Loss).* The operating profit for the year ended December 31, 2019 was \$2,577,791, compared with an operating profit for the year ended December 31, 2018 of \$587,489. The significant favorable change in operating profit for the year ended December 31, 2019 as compared to the year ended December 31, 2018 is primarily attributable to the higher gross profit margin resulting from the favorable shift in LogicMark product sales mix in 2019 as compared to 2018 and the lower operating expenses attributable to the significant cost reductions and cost containment efforts in 2019 as compared to 2018.

*Provision for Income Taxes:* The provision for income taxes for the year ended December 31, 2019 totaled a tax benefit of \$332,571 or 12.31% of the loss before income taxes, which differed from the tax benefit at the 21% statutory rate of \$567,208 primarily due to state income taxes and book to tax differences on the loss on sale of Fit Pay, offset by changes in the valuation allowance. The provision for income taxes for the year ended December 31, 2018 totaled a tax expense of \$34,323 or (2.65%) of operating income before taxes, which differed from the tax benefit at the 21% statutory rate of \$271,802 primarily due to state income taxes offset by changes in the valuation allowance.

*Loss from Continuing Operations.* The net loss from continuing operations for the year ended December 31, 2019 was \$2,368,418 compared to \$1,328,616 for the year ended December 31, 2018. The net loss from continuing operations for the year ended December 31, 2019 was primarily attributable to interest expense of \$3,020,012 and a loss on the extinguishment of debt of \$2,343,879 all of which was partially offset by operating profit of \$2,577,791 discussed above, favorable change in fair value of contingent consideration related to the acquisition of Fit Pay of \$85,111 and an income tax benefit of \$332,571.

The net loss from continuing operations for the year ended December 31, 2018 was \$1,328,616 and was primarily attributable to interest expense of \$2,967,211, a loss on the extinguishment of debt of \$68,213, warrant modification expense of \$345,280 and an income tax provision of \$34,323 all of which was partially offset by operating profit of \$587,489 discussed above and a favorable change in fair value of contingent consideration related to the acquisition of Fit Pay of \$1,498,922.

## **Liquidity and Capital Resources**

### *Sources of Liquidity*

We have generated operating income of \$2,577,791 and a loss from continuing operations of \$2,368,418 for the year ended December 31, 2019. As of December 31, 2019, we had cash and stockholders' equity of \$1,587,250 and \$6,714,588, respectively. At December 31, 2019, our continuing operations had a working capital deficiency of \$2,308,407. During the year ended December 31, 2019, we received net proceeds of \$3,214,042 from the issuance of common stock and warrants. In addition, we sold our subsidiary, Fit Pay, Inc. and we also significantly reduced our operating expenses by approximately \$3.0 million on an annual basis. These strategic efforts will significantly enhance our cash flow generation as we move forward into 2020.

Given our cash position at December 31, 2019 and our projected cash flow from operations, we believe that we will have sufficient capital to sustain operations for a period of one year following the date of this filing. We may also raise funds through equity or debt offerings to accelerate the execution of our long-term strategic plan to develop and commercialize our core products and to fulfill our product development commitments.

As of December 31, 2019, the Company had cash of \$1,587,250.

### **Cash Flows**

#### *Cash and Working Capital*

We have incurred losses from continuing operations of \$2,368,418 and \$1,328,616 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019, the Company had cash and stockholders' equity of \$1,587,250 and \$6,714,588, respectively. At December 31, 2019, the Company's continuing operations had a working capital deficiency of \$2,308,407. During the year ended December 31, 2019, the Company raised net proceeds of approximately \$3,214,042 in connection with the issuance of common stock and warrants.

### *Cash Provided by (Used in) Operating Activities*

Our primary ongoing uses of operating cash relate to payments to subcontractors and vendors for research and development, salaries and related expenses and professional fees. Our vendors and subcontractors generally provide us with normal trade payment terms. During the year ended December 31, 2019, net cash provided by operating activities amounted to \$2,240,122, which was comprised of a net loss of \$2,368,418, positive adjustments to reconcile net loss to net cash used in operating activities of \$4,210,738 and changes in operating assets and liabilities of positive \$397,802. During the year ended December 31, 2018, net cash used in operating activities amounted to \$50,189, which was comprised of a net loss of \$1,328,616, positive adjustments to reconcile net loss to net cash used in operating activities of \$1,217,069 and changes in operating assets and liabilities of positive \$61,358.

### *Cash Provided by (Used in) Investing Activities*

During the year ended December 31, 2019, net cash provided by investing activities amounted to \$2,750,314 and was primarily related to the net proceeds received from the sale of our discontinued operations of \$2,955,170 which was offset in part by earnout payments to the Fit Pay Sellers totaling \$181,065 and the purchase of equipment of \$23,791. During the year ended December 31, 2018, net cash used in investing activities amounted to \$3,166,854 and was primarily related to the 2017 earnout payment of \$3,156,088 to the LogicMark Sellers and the purchase of equipment of \$10,766.

### *Cash (Used in) Provided by Financing Activities*

During the year ended December 31, 2019, net cash used in financing activities totaled \$2,001,429 and was primarily related to the pay down of \$16,000,000 in term loan facility with Sagard Holdings Manager, LP, pay downs in both the short and long-term Seller debt totaling \$638,881, scheduled term loan repayments of \$1,203,125 and fees paid in connection with equity offerings totaling \$55,546. In addition, we also prepaid \$1,988,498 of the term loan facility with a portion of the net proceeds received from the sale of our discontinued operations. These financing disbursements were funded in part with net proceeds received of \$1,299,042 from the sale of stock from our January 2019 At-the-Market Offering, \$1,915,000 from the sale of stock in connection with a registered direct public offering and \$14,670,579 in net proceeds received from the refinancing with CrowdOut Capital, which closed on May 3, 2019. During the year ended December 31, 2018, net cash from financing activities totaled \$3,063,334 and was primarily related to \$425,000 in proceeds received from the exercising of warrants into common stock and \$14,906,030 in net proceeds received from the refinancing with Sagard Holdings Manager, LP, which closed on May 24, 2018. The cash received from financing activities during the year ended December 31, 2018 was partially offset by the net pay down of \$12,000,000 related to the revolver facility with ExWorks Capital Fund I, L.P., pay downs in short term debt totaling \$212,961 and fees paid in connection with equity offerings of \$54,735.

### *Coronavirus – COVID-19*

In early 2020, the coronavirus that causes COVID-19 was reported to have surfaced in China. The Company's primary supply chain is located in China and other Asian-based locations. To date, the Company's supply chain has not experienced any significant disruptions. The global spread of this virus has caused significant business disruption around the world including the United States, the primary area in which the Company operates and sells its products. The business disruption is currently expected to be temporary, however there is considerable uncertainty around the duration of the business disruption. Therefore, while the Company expects this matter to negatively impact the Company's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

### **Impact of Inflation**

We believe that our business has not been affected to a significant degree by inflationary trends during the past three (3) years. However, inflation is still a factor in the worldwide economy and may increase the cost of purchasing products from our contract manufacturers in Asia, as well as the cost of certain raw materials, component parts and labor used in the production of our products. It also may increase our operating expenses, manufacturing overhead expenses and the cost to acquire or replace fixed assets. We have generally been able to maintain or improve our profit margins through productivity and efficiency improvements, cost reduction programs and to a lesser extent, price increases, and we expect to be able to do the same during 2020. As such, we do not believe that inflation will have a significant impact on our business during 2020.

### **Financings**

#### *May 2018 Debt Financing*

On May 24, 2018, LogicMark and Sagard Holdings Manager LP, as administrative agent and collateral agent for the lenders (collectively, the "Lender"), entered into a Senior Secured Credit Agreement (the "Credit Agreement"), whereby the Lender extended a term loan (the "Term Loan") to LogicMark in the principal amount of \$16,000,000 (the "Debt Financing"). The original maturity date of the Term Loan was May 24, 2023. The outstanding principal amount of the Term Loan bears interest at a rate of LIBOR, adjusted monthly, plus 9.5% per annum.

The performance of LogicMark under the Credit Agreement was secured by: (a) a senior lien granted pursuant to a Security Agreement on all of the assets of the Company, the Company's subsidiaries, LogicMark and 3D-ID, LLC ("3D-ID"), a non-operating company which holds certain assets, and Fit Pay, the Company's former subsidiary; (b) a senior lien granted pursuant to an Intellectual Property Security Agreement on all of the intellectual property assets of the foregoing companies; and (c) a pledge of certain pledged securities of the foregoing companies pursuant to a Securities Pledge Agreement. The performance of LogicMark was guaranteed pursuant to a guaranty under a Guaranty Agreement by the Company, 3D-ID and Fit Pay, the Company's former subsidiary.

In addition to entering into the Credit Agreement, the Company issued two (2) common stock purchase warrants to the Lender. Each warrant is exercisable for an aggregate of 244,081 shares of the Company's common stock. Each warrant is exercisable beginning on May 24, 2018 and will be exercisable for a period of five (5) years. The exercise price per warrant share is \$3.90 for the first warrant and \$4.88 for the second warrant.

Each warrant contains a covenant to register pursuant to which the Company covenants that within ninety (90) days of May 24, 2018, at the Company's sole cost and expense, it will file or cause to be filed a registration statement covering the sale or resale of the warrant shares underlying the warrants and will promptly provide confirmation of such registration to the holder. The warrant shares were registered pursuant to a registration statement initially filed by the Company with the SEC on July 10, 2018, which was declared effective on July 27, 2018.

A.G.P./Alliance Global Partners, ("A.G.P.") served as the placement agent for the Company.

#### *September 2018 Warrant Amendment and Exercise Agreement*

On September 14, 2018, the Company entered into a Warrant Amendment and Exercise Agreement (the "Amendment Agreement") with certain holders (collectively, the "Investors") of previously issued common stock purchase warrants (the "Old Warrants").

In connection with those Old Warrants issued to the Investors dated July 13, 2017, July 19, 2017 and November 13, 2017, the Company agreed to issue to the Investors warrants to purchase up to 3,273,601 shares of common stock at an exercise price of \$2.00 per share, (the "New Warrants") under certain circumstances. Under the terms of the Amendment Agreement, in consideration of the Investors' exercising up to 3,273,601 shares of the Old Warrants, the exercise price per share of the Old Warrants was reduced to \$1.50 per share. The Investors may continue to exercise the Old Warrants after December 31, 2018, but will not receive any New Warrants for any Old Warrants exercised after that date. The exercise price per share of the New Warrants represented a 30% premium to the closing price for the Company's common stock on September 14, 2018.

The New Warrants are exercisable for up to the original expiration dates of the Old Warrants, or July 19, 2022, January 13, 2023, or May 13, 2023, as applicable. The New Warrants are required to be exercised for cash; however, if during the term of the New Warrants there is not an effective registration statement under the Securities Act covering the resale of the shares issuable upon exercise of the New Warrants, then the New Warrants may be exercised on a cashless (net exercise) basis.

During the year ended December 31, 2018, the Company received proceeds of \$225,000 in connection with exercise of New Warrants into 150,000 Shares of Common Stock at an exercise price of \$1.50 per share.

#### *January 2019 At-the-Market Offering*

On January 8, 2019, the Company entered into a sales agreement with A.G.P. for an at-the-market offering, pursuant to which the Company could sell, at its option, shares of its common stock, par value \$0.0001 per share, having an aggregate offering price of up to \$15 million to or through A.G.P., as sales agent. The Company was obligated to pay A.G.P. commissions for its services in acting as the Company's sales agent in the sale of its common stock pursuant to the sales agreement. A.G.P. was entitled to compensation at a fixed commission rate of 3.0% of the gross proceeds from the sale of the Company's common stock on the Company's behalf pursuant to the sales agreement. The Company also agreed to reimburse A.G.P. for its reasonable out-of-pocket expenses, including the fees and disbursements of counsel to A.G.P., incurred in connection with the offering, in an amount not to exceed \$35,000. During the year ended December 31, 2019, the Company received \$1,299,042 in net proceeds from the sale of 1,113,827 shares of its common stock under the sales agreement with A.G.P. On April 2, 2019, the Company entered into a Securities Purchase agreement with an investor in connection with a registered direct public offering of 2,469,136 shares of the Company's common stock. The shares of common stock were offered at a price of \$0.81 per share and the Company received \$1,915,000 in net proceeds from the sale. The Company also issued to the investor for no additional consideration common stock purchase warrants to purchase 2,469,136 shares of common stock. The warrants are exercisable upon issuance at an exercise price of \$1.05 and expire on the fifth (5<sup>th</sup>) anniversary of the initial exercise date. The warrants and the underlying warrant shares were registered for resale pursuant to a prospectus supplement, dated April 4, 2019, to the prospectus dated December 17, 2018, which was the base prospectus included in the registration statement filed on November 30, 2018, and which was declared effective on December 17, 2018. The sales agreement with A.G.P. was terminated on October 10, 2019.

## May 2019 Debt Refinancing

On May 3, 2019, LogicMark completed the closing of a \$16,500,000 senior secured term loan with the lenders thereto and CrowdOut Capital LLC, as administrative agent. The Company used the proceeds from the term loan to repay LogicMark's existing term loan facility with Sagard Holdings Manager LP and to pay other costs related to the refinancing. The maturity date of the Term Loan with CrowdOut Capital LLC is May 3, 2022 and requires the Company to make minimum principal payments over the three-year term amortized over 96 months. Since the inception of the refinancing, the Company has made scheduled principal repayments totaling \$1,203,125 through December 31, 2019. In addition, the Company prepaid an additional \$1,988,498 of term loan in September 2019 with a portion of the proceeds received from the sale of discontinued operations. The outstanding principal amount of the Term Loan bears interest at a rate of LIBOR, adjusted monthly, plus 11.0% per annum (approximately 13.0% as of December 31, 2019). The Company incurred \$412,500 in original issue discount for closing related fees charged by the Lender. During the year ended December 31, 2019, the Company amortized \$168,430 of the original issue discount which is included in interest expense in the consolidated statement of operations. At December 31, 2019 the unamortized balance of the original issue discount was \$244,070. The Company also incurred \$1,831,989 in deferred debt issue costs related to the Term Loan. The deferred debt issue costs include an exit fee of \$1,072,500 which is equivalent to 6.5% of the term loan amount borrowed from CrowdOut Capital. The exit fee is due to CrowdOut Capital upon the earlier of final repayment of the term loan facility or the maturity date. The liability for the exit fee is included as part of other long-term liabilities in the Company's consolidated balance sheet. During the year ended December 31, 2019, the Company amortized \$569,424, respectively of the deferred debt issue costs which is included in interest expense in the consolidated statements of operations. At December 31, 2019 the unamortized balance of deferred debt issue costs was \$1,262,565.

The Credit Agreement contains customary financial covenants. As of December 31, 2019, the Company was in compliance with such covenants.

## Off Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not have any undisclosed borrowings or debt, and we have not entered into any synthetic leases. We are, therefore, not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

## Critical Accounting Policies

The following discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the U.S. Certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations and require the application of significant judgment by our management or can be materially affected by changes from period to period in economic factors or conditions that are outside of our control. As a result, they are subject to an inherent degree of uncertainty. In applying these policies, our management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, our observance of trends in the industry and information available from other outside sources, as appropriate. Please see Note 3 to our consolidated financial statements for a more complete description of our significant accounting policies.

*Basis of Presentation.* The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S.

## Revenue Recognition

### Adoption of Topic 606

The Company adopted Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) including its related subsequent amendments, ("Topic 606") as of January 1, 2018 using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2018. Under this transition method, the Company's results in the consolidated statements of operations for the years ended December 31, 2019 and 2018 are presented under Topic 606.

The Company's revenues consist of product sales to either end customers or to distributors. The Company's revenues are derived from contracts with customers, which are in most cases customer purchase orders. For each contract, the promise to transfer the control of the products, each of which is individually distinct, is considered to be the identified performance obligation. As part of the consideration promised in each contract, the Company evaluates the customer's credit risk. Our contracts do not have any financing components, as payment terms are generally due net 30 days after delivery. The Company's products are almost always sold at fixed prices. In determining the transaction price, we evaluate whether the price is subject to any refunds, due to product returns or adjustments due to volume discounts, rebates or price concessions to determine the net consideration we expect to be entitled to. The Company's sales are recognized at a point-in-time under the core principle of recognizing revenue when control transfers to the customer, which generally occurs when the Company ships or delivers the product from its fulfillment center to our customers, when our customers accepts and has legal title of the goods, and the Company has a present right to payment for such goods. Based on the respective contract terms, most of our contracts revenues are recognized either (i) upon shipment based on free on board ("FOB") shipping point, or (ii) when the product arrives at its destination. For the years ended December 31, 2019 and 2018, none of our sales were recognized over time.

*Warranty Costs.* The Company's product is sold with a one-year warranty against defects in materials and workmanship under normal use. The Company accrues for the estimated costs associated with the one-year Wocket® warranty at the time revenue associated with the sale is recorded, and periodically updates its estimated warranty cost based on actual experience. Estimating warranty costs requires significant judgment. To date, warranty claims have been inconsequential and the Company estimates any such claims against sales made to date will be immaterial. Accordingly, no accrual for warranty costs has been recorded at December 31, 2019 and 2018.

*Inventory.* The Company performs regular reviews of inventory quantities on hand and evaluates the realizable value of its inventories. The Company will adjust the carrying value of the inventory as necessary with the estimated valuation reserves for excess, obsolete, and slow-moving inventory by comparing the individual inventory parts to forecasted product demand or production requirements. The inventory is valued at the lower of cost or net realizable value with cost determined using the first-in, first-out method.

*Convertible Instruments.* The Company applies the accounting standards for derivatives and hedging and for distinguishing liabilities from equity when accounting for hybrid contracts that feature conversion options. The accounting standards require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria includes circumstances in which (i) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (ii) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (iii) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. The derivative is subsequently marked to market at each reporting date based on current fair value, with the changes in fair value reported in the results of operations.

Conversion options that contain variable settlement features such as provisions to adjust the conversion price upon subsequent issuances of equity or equity linked securities at exercise prices more favorable than that featured in the hybrid contract generally result in their bifurcation from the host instrument.

The Company accounts for convertible debt instruments when the Company has determined that the embedded conversion options should not be bifurcated from their host instruments in accordance with ASC 470-20 "Debt with Conversion and Other Options". The Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying Common Stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk.**

We are not required to provide the information required by this Item 7A as we are a smaller reporting company.

**Item 8. Financial Statements and Supplementary Data.**

The financial statements, notes to the financial statements and the respective reports of the Company's independent registered accountants required to be filed in response to this Item 8 begin on page F-1.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we are required to perform an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Exchange Act, as of December 31, 2019. Management has not completed such evaluation and, as such, has concluded that our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures. As a result of the material weakness in internal controls over financial reporting described below, we concluded that our disclosure controls and procedures as of December 31, 2019 were not effective.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we are required to conduct an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019, based on the criteria set forth in the report entitled Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (2013), known as COSO. Management has not completed an evaluation under the criteria set forth in Internal Control-Integrated Framework, and as such our management concluded that our internal control over financial reporting was not effective as of December 31, 2019.



As of December 31, 2019, we have identified certain matters that constituted a material weakness in our internal controls over financial reporting. Specifically, we have difficulty in accounting for complex accounting transactions due to an insufficient number of accounting personnel with experience in that area, limited segregation of duties within our accounting and financial reporting functions, and have not completed an effective assessment of the Company's internal controls over financial reporting based on the 2013 COSO framework. Management has concluded that, during the period covered by this Report, our internal controls and procedures were not effective.

This Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm as we are neither an accelerated filer nor a large accelerated filer and are not required to provide the report.

#### **Limitations of the Effectiveness of Internal Control**

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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

There were no changes in the Company's internal control over financial reporting in the Company's fourth quarter of the fiscal year ended December 31, 2019 covered by this Report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **Item 9B. Other Information**

None.

### PART III

#### Item 10. Directors, Executive Officers and Corporate Governance

Our executive officers and directors and their ages and positions are as follows:

Name	Age	Position	Date First Elected or Appointed
Vincent S. Miceli	62	Chairman, Chief Executive Officer, Chief Financial Officer and Director	September 29, 2014
David Tunnell	54	Vice President and Chief Technology Officer	June 25, 2012
Major General David R. Gust, USA, Ret	77	Director	June 25, 2012
Michael J. D'Almada-Remedios, PhD	57	Director	September 26, 2013
Daniel P. Sharkey	63	Director	June 23, 2014
Robert A. Curtis, Pharm.D.	65	Director	July 25, 2018
Michael J. Orlando (1)	52	Director	May 23, 2017

(1) Mr. Orlando resigned as a director of the Company on March 5, 2020.

**Vincent S. Miceli**, has served as President, Chief Executive Officer and a director of the Company since September 17, 2019, and as a Vice President and Chief Financial Officer of the Company since September 29, 2014. Effective March 31, 2020, Mr. Miceli will serve as our Chairman. Mr. Miceli has over 30 years of experience in executive, financial and operational management for companies based primarily in the United States. Prior to joining the Company, Mr. Miceli was Vice-President and Chief Financial Officer/Treasurer of Panolam Industries International, Inc., a privately held company which primarily designs, manufactures, and distributes decorative and industrial laminates, from May 2006 to mid-December 2013. Prior to that, Mr. Miceli was the Chief Financial Officer and Corporate Controller of Opticare Health Systems, Inc., a company that provides integrated eye care services from 2004 to 2006. Prior to 2004, Mr. Miceli held senior accounting positions at Amphenol Corporation and United Technologies, Inc. Mr. Miceli holds a BS degree in accounting from Quinnipiac College, an MBA, with a concentration in Finance, from the University of Hartford and he is an affiliate member of both the AICPA and Connecticut Society of Certified Public Accountants.

Mr. Miceli brings a wealth of public company experience and knowledge of the business of the business of the Company, having served as its Chief Financial Officer for the previous five years. He also brings an operator's perspective to the Board, which is an important contribution.

**David Tunnell**, one of our co-founders, has served as the Chief Technology Officer of the Company since June 25, 2012. Mr. Tunnell is an expert in biometrics and is the inventor of a variety of miniature technologies for remote distributed sensors. Mr. Tunnell has over 23 years of experience in developing high-technology solutions for the US government. He was the divisional director of 3D identification products at Technest Holdings Inc. from 2003 to 2011. Prior to that he was at the National Security Agency (NSA) serving in operations, support, and development and later at L3 Communications where he served as Director of Engineering, overseeing the development of SIGINT solutions and serving as the primary interface with customers, bridging the gap between customer requirements and system design and engineering. He also managed technical personnel, budgets, schedules, and technical direction. Mr. Tunnell earned a Masters in Technical Management (MSTM) from Johns Hopkins University and a BSEE from the University of Tennessee.

**Major General David R. Gust, USA, Ret.**, has served as a director of the Company since June 25, 2012. General Gust presently does consulting work for his own company, David R. Gust & Associates, LLC. Between April 2007 and May 2009, General Gust was the President of USfalcon, a privately-held company working with the U.S. Defense sector, primarily in information technology. Previously, General Gust had served as the Manager for Federal Telecommunications for Bechtel National, Inc. from November 2004 to March 2007. Prior to that, he was the President and Chief Executive Officer of Technical and Management Services Corporation from 2000 to 2004. General Gust retired from the United States Army in 2000 after completing a career of 34 years of service.

His General Officer assignments included the Program Executive Officer, Communications Systems (PEO-Comm Systems), Program Executive Officer, Intelligence, Electronic Warfare and Sensors (PEO-IEW&S) and at Army Materiel Command, as Deputy Chief of Staff for Research, Development and Acquisition (DCSRDA).

His final assignment at the Army Materiel Command included serving as the Chairman of the Source Selection Advisory Council for the Tactical Unmanned Aerial Vehicle procurement and supervising preparation of the acquisition procurement package for the Stryker combat vehicle. General Gust received his B.S. in Electrical Engineering from the University of Denver and Master's Degrees in Systems Management and National Security and Strategy from the University of Southern California and the United States Naval War College, respectively.

General Gust brings to our board of directors valuable business expertise, particularly expertise in defense and homeland security market segments due to his significant experience as a director of publicly held companies and his substantial experience gained as a member of the US Armed Services.

**Michael J. D'Almada-Remedios, PhD**, has served as a director of the Company since September 26, 2013. Dr. D'Almada-Remedios' background includes a successful track record for product innovation and development, outsourcing, global platform integration, massive-scale/hyper-growth operations, and building/developing teams from 50 to over 500 people. His key accomplishments at each company consistently show impressive gains in sales, profitability and global expansion into new markets.

Dr. D'Almada-Remedios has served as the President of On Demand i Cars, Inc. and Limos.com, a leading global professional transportation network company since 2018. From 2014 to 2018 he was the Chief Executive Officer of Flye Inc., a Fin Tech and IoT subsidiary of World Ventures Holdings, LLC, where he was also the Chief Technology Officer. In 2014, Dr. D'Almada-Remedios was the Chief Technology Officer of Swarm-Mobile, a software company. Between January 2011 and September 2013, Dr. D'Almada-Remedios was the Chief Information Officer for Arbonne International, a billion-dollar global cosmetics company. From February 2009 to December 2010, he was a Vice-President at Expedia, Inc. and was responsible for all technologies, product development and technical operations for hotels.com. Prior to February 2009, Dr. D'Almada-Remedios was the Chief Technology Officer for Realtor.com and Shopping.com, a subsidiary of eBay, Inc. At eBay he was a member of the eBay Inc. Technology Board for eBay, PayPal and Skype.

Earlier in his career, he was Global Chief Information Officer for the Travelocity group of companies and President and Chief Operating Officer of Bluelight.com, a subsidiary of Kmart. Dr. D'Almada-Remedios began his career as Vice President and Manager, Systems Integration & Development at Wells Fargo Bank, Consumer Banking Group.

Dr. D'Almada-Remedios has a PhD in Computer Control and Fluid Dynamics from the University of Nottingham in England and a B.Sc. in Physics and Computer Science from Kings College, University of London in England.

Dr. D'Almada-Remedios brings to our board of directors valuable business experience, particularly expertise in eCommerce technology and hyper growth companies.

**Daniel P. Sharkey**, has served as a director of the Company since June 23, 2014. Mr. Sharkey's background includes 36 years of broad experience with finance and business development for technology companies. His key accomplishments in his prior engagements focused on expanding technology companies into new marketplaces and plotting and implementing successful, long-term growth strategies. Between 2007 and 2014, Mr. Sharkey was Executive Vice President of Business Development for ATMI, a publicly traded semi-conductor company. Mr. Sharkey originally joined ATMI as Chief Financial Officer in 1990. ATMI was sold to Entegris in 2014 for \$1.15 billion.

From 1987 to 1990, before joining ATMI, Mr. Sharkey was Vice President of Finance for Adage, a publicly traded computer graphics manufacturer. From 1983 to 1987, Mr. Sharkey served as Corporate Controller for CGX Corporation, a venture capital backed, privately held, computer graphics manufacturer that merged with Adage in 1987. Mr. Sharkey was a Certified Public Accountant for KPMG from 1978 to 1983.

Mr. Sharkey earned a Bachelor of Arts degree in Economics and Accounting from the College of the Holy Cross in Worcester, Massachusetts. Mr. Sharkey brings valuable experience in finance and administration to our board of directors and serves as our financial expert.

**Robert A. Curtis, Pharm.D.**, has served as a director of the Company since July 25, 2018. Dr. Curtis is a 35-year veteran in the biosciences industry. Dr. Curtis currently serves as a consultant to emerging technology companies. He recently served as the Executive Chairman and Director of the Trudeau Institute in Saranac Lake, New York and prior to that position he was Chief Executive Officer (CEO) of the Regional Technology Development Corporation, a non-profit organization in Woods Hole, Massachusetts, where he was responsible for identifying and commercializing technology from the Marine Biological Laboratory and the Woods Hole Oceanographic Institute. Dr. Curtis has been a founder and CEO of several companies, including HistoRx, Inc, a tissue proteomics company, Cape Aquaculture Technologies, Inc. which developed enhanced non-genetically modified fish, Lion Pharmaceuticals/Phoenix Drug Discovery LLC, a novel business model to develop and commercialize university-based technology from some of the leading biomedical institutions in the world. He assisted in the founding of Environmental Operating Solutions, Inc, which applied denitrification technology to wastewater with the company being sold in 2017. He was a co-founder of and CEO of CombiChem, Inc., which was purchased by Dupont Pharmaceuticals, and served as founding President and CEO of MetaMorphix, Inc., a joint venture between Genetics Institute, Inc. and The Johns Hopkins School of Medicine. Prior to these entrepreneurial endeavors, Dr. Curtis held senior management positions at Pharmacopeia, Inc., Cambridge Neuroscience, Inc., and Pfizer, Inc. He also served as Assistant Professor of Pharmacy Practice at the University of Illinois Medical Center in Chicago. He currently serves on the board or as an advisor to a number of private entrepreneurial companies and has served as judge for the annual MIT \$100K Business Plan Entrepreneurial Award. He is Chairman of Fundraising for the Falmouth Commodores of the Cape Cod Baseball League. Dr. Curtis holds a BS in Pharmacy from the Massachusetts College of Pharmacy, a Pharm.D. from the University of Missouri, and an MBA from Columbia University.

Dr. Curtis' significant experience in the biosciences and technology sector gives him the qualifications and skills necessary to serve as a director of our Company.

**Michael J. Orlando**, served as a director of the Company from June 30, 2017 until March 5, 2020, and served as the Company's Chief Operating Officer and President of the payments division from May 23, 2017 until September 10, 2019, when the payments division was sold to Garmin.

### **Board Committees**

Our board of directors currently has the following committees:

Audit Committee— Daniel Sharkey<sup>(1)</sup>, David R. Gust

Compensation Committee— David R. Gust\*, Daniel Sharkey, Robert A. Curtis

Corporate Governance and Nomination Committee — Robert A. Curtis\*, David R. Gust, Daniel Sharkey

\* — Indicates Committee Chair

<sup>(1)</sup> — Indicates Committee Financial Expert

### *Audit Committee*

Our audit committee oversees our corporate accounting and financial reporting process. Among other matters, our audit committee:

- evaluates the independent registered public accounting firm's qualifications, independence and performance;
- determines the engagement of the independent registered public accounting firm;
- reviews and approves the scope of the annual audit and the audit fee;
- discusses with management and the independent registered public accounting firm the results of the annual audit and the review of our quarterly financial statements;
- approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services;
- reviews our critical accounting policies and estimates; and
- reviews the audit committee charter and the committee's performance on an annual basis.

Our audit committee operates under a written charter adopted by our board of directors that satisfies the applicable standards of NASDAQ.

Our board of directors has determined that Mr. Sharkey is an Audit Committee Financial Expert as defined by the SEC rules and has the requisite financial sophistication as defined by The NASDAQ Stock Market rules and regulations.

### *Compensation Committee*

Our compensation committee reviews and recommends policies relating to the compensation and benefits of our officers and employees. Our compensation committee reviews and approves corporate goals and objectives relevant to the compensation of our chief executive officer and other executive officers, evaluates the performance of these officers in light of those goals and objectives, and makes recommendations to our board of directors regarding compensation of these officers based on such evaluations. Our compensation committee administers the issuance of stock options and other awards under our stock plans. Our compensation committee reviews and evaluates, at least annually, the performance of our compensation committee. Our compensation committee operates under a written charter adopted by our board of directors that satisfies the applicable standards of NASDAQ.

### *Corporate Governance and Nomination Committee*

Our corporate governance and nomination committee is responsible for, among other objectives, making recommendations to our board of directors regarding candidates for directorships; overseeing the evaluation of our board of directors; reviewing developments in corporate governance practices; developing a set of corporate governance guidelines; and reviewing and recommending changes to the charters of our other board committees. In addition, the corporate governance and nomination committee is responsible for overseeing our corporate governance guidelines and reporting and making recommendations to the board concerning corporate governance matters.

## **Involvement in Certain Legal Proceedings**

To the best of our knowledge, none of our current directors or executive officers has, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Except as set forth in our discussion below in “Certain Relationships and Related Transactions,” none of our directors or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

## **Family Relationships**

There are no relationships between any of the officers or directors of the Company.

## **Director Nomination Procedures**

There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors.

## **Code of Ethics**

Our board of directors has adopted a Code of Business Ethics and Conduct (the “Code of Conduct”) which constitutes a “code of ethics” as defined by applicable SEC rules. We require all employees, directors and officers, including our principal executive officer and principal financial officer to adhere to the Code of Conduct in addressing legal and ethical issues encountered in conducting their work. The Code of Conduct requires that these individuals avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in our best interest. The Code of Conduct contains additional provisions that apply specifically to our Chief Executive Officer, Chief Financial Officer and other finance department personnel with respect to full and accurate reporting. The Code of Conduct is available on our website at [www.nxt-id.com](http://www.nxt-id.com). We will post any amendments to the Code of Conduct, as well as any waivers that are required to be disclosed by the rules of the SEC on such website. The information contained on or that may be obtained from our website is not, and shall not be deemed to be a part of this Report.

## Delinquent Section 16(a) Reports

Under the securities laws of the United States, our directors, executive (and certain other) officers, and any persons holding ten percent or more of our Common Stock must report on their ownership of the Common Stock and any changes in that ownership to the SEC. Specific due dates for these reports have been established. During the fiscal year ended December 31, 2019, we believe the following reports listed in the table below were required to be filed by such persons pursuant to Section 16(a) and were not filed on a timely basis:

Name	Form	Description
Daniel P. Sharkey	4	Four (4) transactions were not reported (upon the acquisition of shares of common stock that were received as compensation for the reporting person's service as a member of the Board of Directors).
John Bendheim	4	Two (2) transactions were not reported (upon the acquisition of shares of common stock that were received as compensation for the reporting person's service as a member of the Board of Directors).
Robert A. Curtis	4	Four (4) transactions were not reported (upon the acquisition of shares of common stock that were received as compensation for the reporting person's service as a member of the Board of Directors).
David R. Gust	4	Four (4) transactions were not reported (upon the acquisition of shares of common stock that were received as compensation for the reporting person's service as a member of the Board of Directors).
Michael J. D'Almada-Remedios	4	Four (4) transactions were not reported (upon the acquisition of shares of common stock that were received as compensation for the reporting person's service as a member of the Board of Directors).

## Item 11. Executive Compensation.

### Summary Compensation Table for Fiscal Years 2019 and 2018

The following table sets forth all plan and non-plan compensation for the last two completed fiscal years paid to all individuals who served as the Company's principal executive officer ("PEO") or acted in a similar capacity and the Company's two other most highly compensated executive officers who were serving as executive officers at the end of the last completed fiscal year, as required by Item 402(m)(2) of Regulation S-K of the Securities Act. We refer to all of these individuals collectively as our "named executive officers."

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(5)	Option Awards (\$)	Nonequity	Nonqualified	All	Total (\$)
						Incentive Plan Compensation (\$)	Deferred Compensation Earnings (\$)	Other Compensation (\$)(6)	
Gino M. Pereira, (1) Chief Executive Officer	2019	345,968	40,000	100,000	-	-	-	25,682	511,650
	2018	420,000	130,000	547,500	-	-	-	25,899	1,123,399
Vincent S. Miceli Chief Financial Officer (2)	2019	329,391	30,000	75,000	-	-	-	30,190	464,581
	2018	300,000	70,000	292,000	-	-	-	30,818	692,818
Michael J. Orlando, Chief Operating Officer (3)	2019	242,083	-	-	-	-	-	-	242,083
	2018	350,000	50,000	109,500	-	-	-	-	509,500
Stanley E. Washington Chief Revenue Officer (4)	2019	104,167	-	-	-	-	-	-	104,167
	2018	250,000	-	912,500	-	-	-	-	1,162,500

(1) Mr. Pereira resigned as an officer of the Company effective September 13, 2019.

(2) Mr. Miceli was appointed President and Chief Executive Officer of the Company upon Mr. Pereira's resignation.

(3) Mr. Orlando resigned as an executive officer of the Company effective September 10, 2019.

(4) Mr. Washington became an employee of the Company effective January 1, 2018 and he resigned as an officer of the Company effective May 31, 2019.

(5) The 2018 stock awards for Mr. Pereira, Mr. Miceli and Mr. Orlando vest over a three (3) year period from the date of grant. The 2019 stock awards for Mr. Pereira and Mr. Miceli vest over a two (2) year period from the date of grant. The unvested portion of the 2018 and 2019 stock awards for Mr. Pereira and Mr. Orlando were forfeited effective with their respective departure dates.

(6) Other compensation includes primarily employer-paid health insurance.

## Employment Agreements

We do not have employment agreements with Vincent S. Miceli, our President, Chief Executive Officer and Chief Financial Officer, or David Tunnell, our Chief Technology Officer.

A brief description of the LTIP and the Company's 2017 Stock Incentive Plan (the "2017 SIP") is contained in Note 10 of the Notes to the Consolidated Financial Statements.

## Outstanding Equity Awards at 2019 Fiscal Year End

The following table provides information relating to the vested and unvested option and stock awards held by our named executive officers as of December 31, 2019. Each award to each named executive officer is shown separately, with a footnote describing the award's vesting schedule.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (# Exercisable)	Number of Securities Underlying Unexercised Option (# Unexercisable)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units Or Other Rights That Have Not Vested (\$)
Gino Pereira (1)	-	-	-	-	-	-	\$ -	-	\$ -
Vincent S. Miceli (2)	-	-	-	-	-	-	\$ -	110,000	\$ 49,500
Michael J. Orlando (3)	-	-	-	-	-	-	\$ -	-	\$ -
Stanley E. Washington (4)	-	-	-	-	-	-	\$ -	-	\$ -

(1) Effective September 13, 2019, Mr. Pereira resigned as Chief Executive Officer and a director of the Company. Mr. Pereira's unvested shares as of September 13, 2019 were forfeited upon his resignation.

(2) The unvested stock awards will vest ratably in 2020.

(3) Effective September 10, 2019, Mr. Orlando resigned as Chief Operating Officer of the Company. Mr. Orlando's unvested shares as of September 10, 2019 were forfeited upon his resignation.

(4) All unvested stock awards vested prior to Mr. Washington's resignation as an employee of the Company on May 31, 2019.

A brief description of the LTIP and the 2017 SIP is contained in Note 8 of the Notes to the Consolidated Financial Statements.



## Director Compensation for Fiscal Year 2019

During 2019, our non-employee directors received \$80,000 for serving on our board of directors, which compensation was paid quarterly in common stock. The following table reflects all compensation awarded to, earned by or paid to the Company's directors for the fiscal year ended December 31, 2019.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)(2)(3)	Options Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(6)	Total (\$)
Major General David R. Gust, USA, Ret. (1)	-	80,000	-	-	-	935	80,935
Michael J. D'Almada-Remedios, PhD (2)	-	80,000	-	-	-	615	80,615
Daniel P. Sharkey (3)	-	80,000	-	-	-	-	80,000
John Bendheim (4)	-	40,000	-	-	-	-	40,000
Robert A. Curtis, Pharm.D. (5)	-	80,000	-	-	-	818	80,818

(1) Mr. Gust received 131,741 shares of common stock at an average price of approximately \$0.61 per share.

(2) Dr. D'Almada-Remedios received 131,741 shares of common stock at an average price of approximately \$0.61 per share.

(3) Mr. Sharkey received 131,741 shares of common stock at an average price of approximately \$0.61 per share.

(4) Mr. Bendheim received 49,561 shares of common stock at an average price of approximately \$0.81 per share. Mr. Bendheim resigned from our board on July 23, 2019.

(5) Dr. Curtis received 131,741 shares of common stock at an average price of approximately \$0.61 per share.

(6) The Company reimbursed Mr. Gust, Dr. D'Almada-Remedios and Dr. Curtis for travel-related expenses.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information regarding the beneficial ownership of our common stock as of March 30, 2020 by (a) each stockholder who is known to us to own beneficially 5% or more of our outstanding common stock; (b) all directors; (c) our executive officers; and (d) all executive officers and directors as a group. Except as otherwise indicated, all persons listed below have (i) sole voting power and investment power with respect to their shares of common stock, except to the extent that authority is shared by spouses under applicable law, and (ii) record and beneficial ownership with respect to their shares of common stock.

For purposes of this table, a person or group of persons is deemed to have “beneficial ownership” of any shares of common stock that such person has the right to acquire within sixty (60) days of March 30, 2020. For purposes of computing the percentage of outstanding shares of our common stock held by each person or group of persons named above, any shares that such person or persons has the right to acquire within sixty (60) days of March 30, 2020 is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The inclusion herein of any shares listed as beneficially owned does not constitute an admission of beneficial ownership. Unless otherwise identified, the address of our directors and executive officers is c/o Nxt-ID, Inc. 288 Christian Street, Hangar C 2nd Floor, Oxford, CT 06478.

Name and Address of Beneficial Owner	Shares Beneficially Owned				% Total Voting Power (2)
	Common Stock		Series C Preferred Stock		
	Shares	% (1)	Shares	%	
<b>Non-Director or Officer 5% Stockholders:</b>					
Bradley L. Radoff (3)	2,241,569	7.39	—	—	7.39
Giesecke & Devrient Mobile Security America, Inc. (4)	584,795	1.93	2,000	100	1.93
Camac Fund, LP (5)	1,752,832	5.78	—	—	5.78
<b>Directors and Executive Officers:</b>					
Vincent S. Miceli President, Chief Executive Officer, Chief Financial Officer and Director	338,774	1.12	—	—	1.12
David Tunnell Chief Technology Officer	712,477	2.35	—	—	2.35
Major General David R. Gust, USA, Ret. Director	266,523	*	—	—	*
Michael J. D’Almada-Remedios, PhD Director	271,891	*	—	—	*
Daniel P. Sharkey Director	261,511	*	—	—	*
Robert A. Curtis, Pharm.D. Director	176,420	*	—	—	*
<b>Directors and Executive Officers as a Group (6 persons)</b>	<b>2,027,596</b>	<b>6.69</b>	<b>—</b>	<b>—</b>	<b>6.69</b>

\* Less than 1%

- (1) Based on 30,328,141 shares of common stock issued and outstanding as of March 30, 2020. Shares of common stock subject to options or warrants currently exercisable or exercisable within sixty (60) days are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants, but are not deemed outstanding for purposes of computing the percentage of any other person.
- (2) Percentage of total voting power represents voting power with respect to all shares of our Common Stock and Series C Preferred Stock, which have the same voting rights as our shares of Common Stock. The holders of our Common Stock and our Series C Preferred Stock are each entitled to one vote per share.
- (3) The address of Mr. Radoff is 1177 West Loop South, Suite 1625, Houston, Texas 77027. Based upon information provided in a Schedule 13G filed with the SEC on February 14, 2020.
- (4) The address of Giesecke & Devrient Mobile Security America, Inc. is 45925 Horseshoe Drive, Dulles, VA 20166.
- (5) The address of Camac Fund is 350 Park Avenue, 13th Floor, New York, NY 10022.

## Securities Authorized for Issuance under Equity Compensation Plans

### Equity Compensation Plan Information as of December 31, 2019

Plan Category	Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under the Plan (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	-	\$ -	592,223
Equity compensation plans approved by security holders (2)	-	-	3,004,885
Equity compensation plans not approved by security holders	-	-	-
Total	-	\$ -	3,597,108

- (1) Represents the shares of common stock authorized for issuance under the LTIP, which was approved by the Company's stockholders on January 4, 2013. The maximum aggregate number of shares of common stock that may be issued under the LTIP, including stock options, stock awards, such as stock issued to our board of directors for serving on our board of directors, and stock appreciation rights, is limited to 10% of the shares of common stock outstanding on the first trading day of any fiscal year, or 3,004,885 shares of common stock for the fiscal year ending December 31, 2019.
- (2) Represents the shares of common stock authorized for issuance under the 2017 SIP, which was approved by the Company's stockholders on August 24, 2017. The maximum aggregate number of shares of common stock that may be issued under the 2017 SIP (including shares underlying options) is limited to 10% of the shares of common stock outstanding on the first trading day of any fiscal year, or 3,004,885 shares of common stock for the fiscal year ending December 31, 2019.
- (3) As of January 1, 2020.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

#### Transactions with Related Parties

Except as described below, other than compensation arrangements, during the past two fiscal years, there have been no transactions, whether directly or indirectly, between us and any of our officers, directors, beneficial owners of more than 5% of our outstanding Common Stock or their family members that exceeded the lesser of (i) \$120,000 or (ii) one percent (1%) of the average of our total assets at year end.

During the year ended December 31, 2018, we recognized revenue of \$737,993 from WorldVentures Holdings, LLC ("WVH"), a related party. Dr. D'Almada-Remedios, a director of the Company, was the former Chief Executive Officer of Flye Inc., a payment technology company owned by WVH. In addition, our accounts receivable, net balance at December 31, 2018 included \$0, due from WVH. The business with WVH is included as part of our discontinued operations for the year ended December 31, 2018.

Our Audit Committee considers and approves or disapproves any related person transaction as required by NASDAQ Stock Market regulations. Our Audit Committee only approves those related party transactions that are on terms comparable to, or more beneficial to us than, those that could be obtained in arm's length dealings with an unrelated third party.

#### Director Independence

As we are listed on NASDAQ, our determination of independence of directors is made using the definition of "independent director" contained in Rule 5605(a)(2) of the Marketplace Rules of the NASDAQ Stock Market (the "NASDAQ Rules"). Our board of directors affirmatively determined that Major General David R. Gust, Daniel P. Sharkey and Dr. Robert A. Curtis are "independent" directors, as that term is defined in the NASDAQ Rules.

**Item 14. Principal Accounting Fees and Services.**

**Audit Fees**

The Company engaged Marcum LLP as the Company's independent registered public accounting firm. The aggregate fees billed for professional services rendered for the review of our condensed consolidated financial statements for the first, second and third quarters ended March 31, 2019, June 30, 2019 and September 30, 2019, respectively, as well as the fees to be billed for the audit of our annual consolidated financial statements for the year ended December 31, 2019 are expected to be approximately \$172,000. In addition, Marcum LLP billed the Company \$44,435 during 2019 for professional services related to registration statements and proposed financing arrangements. The aggregate fees billed by Marcum LLP for 2018 audit services rendered, including the audit of our annual consolidated financial statements for the year ended December 31, 2018, the review of our 2018 interim condensed consolidated financial statements and professional services related to registration statements and proposed financing arrangements were \$286,192.

**Audit Related Fees**

There were no fees for audit related services for the years ended December 31, 2019 and 2018.

**Tax Fees**

For the Company's fiscal years ended December 31, 2019 and 2018, Marcum LLP did not provide any professional services for tax compliance, tax advice, and tax planning.

**All Other Fees**

The Company did not incur any other fees related to services rendered by our principal accountants for the fiscal years ended December 31, 2019 and 2018.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

Our audit committee pre-approves all audit and non-audit services provided by the independent auditors prior to the engagement of the independent auditors with respect to such services. The chairman of our audit committee has been delegated the authority by such committee to pre-approve interim services by the independent auditors other than the annual audit. The chairman of our audit committee must report all such pre-approvals to the entire audit committee at the next committee meeting.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Report:

(1) Financial Statements:

The audited consolidated balance sheets of the Company as of December 31, 2019 and December 31, 2018, the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, the footnotes thereto, and the respective report of Marcum LLP, an independent registered public accounting firm, are filed herewith.

(2) Financial Schedules:

None.

Financial statement schedules have been omitted because they are either not applicable or the required information is included in the consolidated financial statements or notes hereto.

(3) Exhibits:

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

(b) The following are exhibits to this Report and, if incorporated by reference, we have indicated the document previously filed with the SEC in which the exhibit was included.

Certain of the agreements filed as exhibits to this Report contain representations and warranties by the parties to the agreements that have been made solely for the benefit of such parties. These representations and warranties:

- may have been qualified by disclosures that were made to the other parties in connection with the negotiation of the agreements, which disclosures are not necessarily reflected in the agreements;
- may apply standards of materiality that differ from those of a reasonable investor; and
- were made only as of specified dates contained in the agreements and are subject to subsequent developments and changed circumstances.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date that these representations and warranties were made or at any other time. Investors should not rely on them as statements of fact.

### Item 16. Form 10-K Summary

Not applicable.

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
2.1	<a href="#">Agreement and Plan of Merger by and among Nxt-ID, Inc., Fit Merger Sub, Inc., Fit Pay, Inc. and Michael Orlando (18)</a>
3.1(i)	<a href="#">Certificate of Incorporation (1)</a>
3.1(i)(a)	<a href="#">Certificate of Amendment to Certificate of Incorporation (14)</a>
3.1(i)(b)	<a href="#">Certificate of Designations of Series A Convertible Preferred Stock (10)</a>
3.1(i)(c)	<a href="#">Amendment of Certificate of Designations of Series A Convertible Preferred Stock (12)</a>
3.1(i)(d)	<a href="#">Second Certificate of Amendment of Designations of Series A Convertible Preferred Stock (13)</a>
3.1(i)(e)	<a href="#">Certificate of Designations for Series B Convertible Preferred Stock (13)</a>
3.1(i)(f)	<a href="#">Certificate of Designations for Series C Non-Convertible Preferred Stock (18)</a>
3.1(ii)	<a href="#">Bylaws (1)</a>
4.1	<a href="#">Form of Warrant for January 2014 Offering (2)</a>
4.2	<a href="#">Form of Agent Warrant for January 2014 Offering (2)</a>
4.3	<a href="#">Form of Warrant for June 2014 and August 2014 Offerings (5)</a>
4.4	<a href="#">Form of Warrant for September 2014 Offering (6)</a>
4.5	<a href="#">Form of Underwriter Warrant for September 2014 Offering (6)</a>
4.6	<a href="#">Form of Class A Warrant (7)</a>
4.7	<a href="#">Form of Class B Warrant (7)</a>
4.8	<a href="#">Form of Warrant for July 2015 Private Placement (8)</a>
4.9	<a href="#">Form of Warrant for December 2015 Agreement with WorldVentures Holdings, LLC (9)</a>
4.10	<a href="#">Form of Warrant for May 2016 Interest Purchase Agreement with LogicMark, LLC (11)</a>
4.11	<a href="#">Form of Warrant for July 2016 Private Placement (13)</a>
4.12	<a href="#">Form of Seller's Note for July 2016 LogicMark, LLC Acquisition (13)</a>
4.13	<a href="#">Form of Warrant for November 2016 Agreement with LogicMark, LLC (16)</a>
4.14	<a href="#">Form of November 2016 Exchange Note (16)</a>
4.15	<a href="#">Form of Pre-Funded Warrant for July 2017 Public Offering (19)</a>
4.16	<a href="#">Form of Purchase Warrant for July 2017 Private Placement (19)</a>
4.17	<a href="#">Form of July 2017 Exchange Note (20)</a>
4.18	<a href="#">Form of Warrant for July 2017 Exchange (20)</a>
4.19	<a href="#">Form of Warrant for November 2017 Private Placement (21)</a>
4.20	<a href="#">Form of Warrant to Sagard Credit Partners, LP (24)</a>
4.21	<a href="#">Form of September 2018 New Warrant (26)</a>
4.22	<a href="#">Form of Warrant Amendment and Exercise Agreement (26)</a>
4.23*	<a href="#">Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934</a>
10.1†	<a href="#">2013 Long Term Incentive Plan (1)</a>
10.2†	<a href="#">Forms of Agreement Under 2013 Long Term Incentive Plan (1)</a>
10.3†	<a href="#">2017 Stock Incentive Plan (25)</a>
10.4†	<a href="#">Employment Agreement Between Nxt-ID and Gino Pereira (3)</a>
10.5†	<a href="#">Employment Agreement Between Nxt-ID and Michael J. Orlando (23)</a>
10.6	<a href="#">License Agreement between 3D-ID, LLC and Genex Technologies (1)</a>
10.7	<a href="#">Purchase Agreement between 3D-ID, LLC and Nxt-ID, Inc. (1)</a>
10.8††	<a href="#">Manufacturing agreement with Identita Technologies, Inc., dated January 18, 2013 (4)</a>
10.9	<a href="#">Form of Warrant Purchase Agreement for July 2015 Private Placement (8)</a>
10.10	<a href="#">Form of Securities Purchase Agreement for December 2015 Agreement with WorldVentures Holdings, LLC (9)</a>
10.11	<a href="#">Form of Interest Purchase Agreement for May 2016 Agreement with LogicMark, LLC (11)</a>
10.12	<a href="#">Form of First Amendment to Interest Purchase Agreement for May 2016 Agreement with LogicMark, LLC (12)</a>
10.13	<a href="#">Form of Security Agreement for July 2016 Agreement with LogicMark, LLC (13)</a>
10.14	<a href="#">Form of Loan and Security Agreement for July 2016 Agreement with ExWorks Capital Fund I, L.P. (13)</a>
10.15	<a href="#">Form of Subordination Agreement for July 2016 Agreement with LogicMark, LLC (13)</a>
10.16	<a href="#">Form of Securities Purchase Agreement for July 2016 Agreement with LogicMark, LLC (13)</a>
10.17	<a href="#">Form of Registration Rights Agreement for July 2016 Agreement with LogicMark, LLC (13)</a>
10.18	<a href="#">Form of Forbearance Agreement between Nxt-ID and LogicMark Investment Partners, LLC (15)</a>
10.19	<a href="#">Form of Exchange Agreement for November 2016 Agreement with LogicMark, LLC (16)</a>
10.20	<a href="#">Form of Intercreditor Agreement for November 2016 Agreement with LogicMark, LLC (16)</a>
10.21	<a href="#">First Amendment to Forbearance Agreement for November 2016 Agreement with LogicMark, LLC (16)</a>
10.22	<a href="#">Form of Letter Agreement with July 2016 Investors (17)</a>
10.23	<a href="#">Form of Placement Agency Agreement for July 2017 Offering (19)</a>
10.24	<a href="#">Form of Securities Purchase Agreement for July 2017 Offering (19)</a>
10.25	<a href="#">Form of July 2017 Exchange Agreement (20)</a>
10.26	<a href="#">Form of July 2017 Assignment and Assumption Agreement (20)</a>
10.27	<a href="#">Form of Placement Agency Agreement for November 2017 Offering (21)</a>
10.28	<a href="#">Form of Securities Purchase Agreement for November 2017 Offering (21)</a>
10.29	<a href="#">Form of Placement Agency Agreement for December 2017 Offering (22)</a>
10.30	<a href="#">Form of Securities Purchase Agreement for December 2017 Offering (22)</a>

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
10.31	<a href="#">Senior Secured Credit Agreement, dated May 24, 2018, with Sagard Holdings Manager, LP (24)</a>
10.32	<a href="#">Security Agreement, dated May 24, 2018, with Sagard Holdings Manager, LP (24)</a>
10.33	<a href="#">Intellectual Property Security Agreement, dated May 24, 2018, with Sagard Holdings Manager, LP (24)</a>
10.34	<a href="#">Pledge Agreement, dated May 24, 2018, with Sagard Holdings Manager, LP (24)</a>
10.35	<a href="#">Guaranty, dated May 24, 2018, with Sagard Holdings Manager, LP (24)</a>
14.1	<a href="#">Code of Ethics (3)</a>
21.1*	<a href="#">List of Subsidiaries</a>
23.1*	<a href="#">Consent of Marcum LLP</a>
31.1*	<a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema
101.CAL	XBRL Taxonomy Calculation Linkbase
101.DEF	XBRL Taxonomy Definition Linkbase
101.LAB	XBRL Taxonomy Label Linkbase
101.PRE	XBRL Taxonomy Presentation Linkbase

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

\* Filed herewith.

† Management contract or compensatory plan or arrangement.

†† Confidential treatment has been received for schedules A, C, and D to the agreement.

- (1) Filed as an Exhibit to the Company's Registration Statement on Form S-1 (File No. 333-184673) with the SEC on January 31, 2013.
- (2) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on January 17, 2014.
- (3) Filed as an Exhibit to the Company's Annual Report on Form 10-K with the SEC on February 25, 2014.
- (4) Filed as an Exhibit to the Company's Registration Statement on Form S-1/A (File No. 333-184673) with the SEC on March 25, 2013.
- (5) Filed as an Exhibit to the Company's Registration Statement on Form S-1 (File No. 333-197845) with the SEC on August 5, 2014.
- (6) Filed as Exhibit to the Company's Registration Statement on Form S-1 (File No. 333-197845) with the SEC on August 14, 2014.
- (7) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on April 24, 2015.
- (8) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on July 30, 2015.
- (9) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on January 4, 2016.
- (10) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on April 12, 2016.
- (11) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on May 20, 2016.
- (12) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on July 7, 2016.
- (13) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on July 27, 2016.
- (14) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on September 12, 2016.
- (15) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on September 26, 2016.
- (16) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on November 30, 2016.
- (17) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on February 10, 2017.
- (18) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on May 30, 2017.
- (19) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on July 10, 2017.
- (20) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on July 20, 2017.
- (21) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on November 9, 2017.
- (22) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on December 21, 2017.
- (23) Filed as an Exhibit to the Company's Annual Report on Form 10-K with the SEC on April 2, 2018.
- (24) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on May 30, 2018.
- (25) Filed as an Exhibit to the Company's Registration Statement on Form S-1 (File No. 333-226116) with the SEC on July 10, 2018.
- (26) Filed as an Exhibit to the Company's Current Report on Form 8-K with the SEC on September 20, 2018.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

**Nxt-ID, Inc.**

Date: March 30, 2020

By: /s/ Vincent S. Miceli  
Vincent S. Miceli  
President, Chief Executive Officer and Chief Financial Officer  
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: March 30, 2020

By: /s/ Vincent S. Miceli  
Vincent S. Miceli  
President, Chief Executive Officer,  
Chief Financial Officer and Director  
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

Date: March 30, 2020

By: /s/ Major General David R. Gust, USA, Ret.  
Major General David R. Gust, USA, Ret.  
Director

Date: March 30, 2020

By: /s/ Michael J. D'Almada- Remedios, PhD  
Michael J. D'Almada-Remedios, PhD  
Director

Date: March 30, 2020

By: /s/ Daniel P. Sharkey  
Daniel P. Sharkey  
Director

Date: March 30, 2020

By: /s/ Robert A. Curtis, Pharm D.  
Robert A. Curtis, Pharm D.  
Director



**Nxt-ID, Inc. and Subsidiaries**  
**CONTENTS**

<b><u>Report of Independent Registered Public Accounting Firm</u></b>	F-2
<b>Consolidated Financial Statements</b>	
<u>Consolidated Balance Sheets</u>	F-3
<u>Consolidated Statements of Operations</u>	F-4
<u>Consolidated Statements of Changes in Stockholders' Equity</u>	F-5
<u>Consolidated Statements of Cash Flows</u>	F-6
<b><u>Notes to Consolidated Financial Statements</u></b>	F-7 - F-23

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of  
Nxt-ID, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Nxt-ID, Inc. (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of operations, changes in stockholders’ equity and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor since 2016.

New York, NY  
March 30, 2020

**Nxt-ID, Inc. and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 1,587,250	\$ 425,189
Restricted cash	150,130	1,189,452
Accounts receivable, net	38,526	247,023
Inventory, net	1,303,279	870,513
Prepaid expenses and other current assets	285,495	443,324
Assets associated with discontinued operations	-	222,227
<b>Total Current Assets</b>	<u>3,364,680</u>	<u>3,397,728</u>
Property and equipment:		
Equipment	183,044	183,044
Furniture and fixtures	98,839	89,029
Tooling and molds	644,462	630,481
	<u>926,345</u>	<u>902,554</u>
Accumulated depreciation	(831,290)	(757,198)
Property and equipment, net	95,055	145,356
Right-of-use assets	108,508	-
Assets associated with discontinued operations	-	12,270,726
Goodwill	15,479,662	15,479,662
Other intangible assets, net of amortization of \$2,604,290 and \$1,842,475, respectively	6,000,277	6,762,092
<b>Total Assets</b>	<u>\$ 25,048,182</u>	<u>\$ 38,055,564</u>
<b>Liabilities, Series C Preferred Stock and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,118,476	\$ 1,259,129
Accrued expenses	1,492,111	1,701,561
Short-term debt	-	266,201
Term loan facility - current	2,062,500	998,950
Other current liabilities – contingent consideration	-	553,126
Liabilities associated with discontinued operations	-	365,293
<b>Total Current Liabilities</b>	<u>5,673,087</u>	<u>5,144,260</u>
Other long-term liabilities – contingent consideration	-	2,350,592
Long-term debt	-	372,680
Term loan facility, net of debt discount of \$244,070 and \$620,193, respectively, and deferred debt issuance costs of \$1,262,565 and \$1,102,280, respectively	9,739,242	13,278,577
Other long-term liabilities	1,113,965	-
Deferred tax liability	-	365,397
<b>Total Liabilities</b>	<u>16,526,294</u>	<u>21,511,506</u>
<b>Commitments and Contingencies</b>		
<b>Series C Preferred Stock</b>		
Series C Preferred Stock, par value \$0.0001 per share: 2,000 shares designated; 2,000 shares issued and outstanding as of December 31, 2019 and 2018, respectively	1,807,300	1,807,300
<b>Stockholders' Equity</b>		
Preferred Stock, par value \$0.0001 per share: 10,000,000 shares authorized		
Series A Preferred Stock, par value \$0.0001 per share: 3,125,000 shares designated; 0 shares issued and outstanding as of December 31, 2019 and 2018, respectively	-	-
Series B Preferred Stock, par value \$0.0001 per share: 4,500,000 shares designated; 0 shares issued and outstanding as of December 31, 2019 and 2018, respectively	-	-
Common Stock, par value \$0.0001 per share: 100,000,000 shares authorized; 30,048,854 and 25,228,072 shares issued and outstanding as of December 31, 2019 and 2018, respectively	3,005	2,523
Additional paid-in capital	68,515,674	64,748,871
Accumulated deficit	(61,804,091)	(50,014,636)
<b>Total Stockholders' Equity</b>	<u>6,714,588</u>	<u>14,736,758</u>
<b>Total Liabilities, Series C Preferred Stock and Stockholders' Equity</b>	<u>\$ 25,048,182</u>	<u>\$ 38,055,564</u>

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

**Nxt-ID, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Years Ended December 31,	
	2019	2018
<b>Revenues</b>	\$ 17,137,301	\$ 17,116,511
<b>Costs of goods sold</b>	4,368,495	4,803,791
<b>Gross Profit</b>	12,768,806	12,312,720
<b>Operating Expenses</b>		
General and administrative	5,703,162	6,852,893
Selling and marketing	3,279,317	4,110,616
Research and development	1,208,536	761,722
<b>Total Operating Expenses</b>	10,191,015	11,725,231
<b>Operating Income</b>	2,577,791	587,489
<b>Other Income and (Expense)</b>		
Interest expense	(3,020,012)	(2,967,211)
Change in fair value of contingent consideration	85,111	1,498,922
Loss on extinguishment of debt	(2,343,879)	(68,213)
Warrant modification expense	-	(345,280)
<b>Total Other Expense, Net</b>	(5,278,780)	(1,881,782)
<b>Loss before Income Taxes</b>	(2,700,989)	(1,294,293)
<b>Income Tax Benefit (Expense)</b>	332,571	(34,323)
<b>Loss from Continuing Operations</b>	(2,368,418)	(1,328,616)
<b>Discontinued Operations Net of Taxes:</b>		
<b>Loss from Discontinued Operations</b>	(3,432,270)	(5,761,346)
Loss on sale of Discontinued Operations	(5,988,767)	-
<b>Loss from Discontinued Operations</b>	(9,421,037)	(5,761,346)
<b>Net Loss</b>	(11,789,455)	(7,089,962)
<b>Preferred stock dividends</b>	(150,000)	(100,000)
<b>Net Loss applicable to Common Stockholders</b>	\$ (11,939,455)	\$ (7,189,962)
<b>Loss Per Share from Continuing Operations – Basic and Diluted</b>	\$ (0.09)	\$ (0.06)
<b>Loss Per Share from Discontinued Operations – Basic and Diluted</b>	\$ (0.33)	\$ (0.23)
<b>Net Loss Per Share - Basic and Diluted</b>	\$ (0.42)	\$ (0.29)
<b>Weighted Average Number of Common Shares Outstanding - Basic and Diluted</b>	28,717,499	24,561,791

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

**Nxt-ID, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
<b>Balance - January 1, 2018</b>	-	\$ -	23,583,593	\$ 2,358	\$ 62,052,483	\$ (42,924,674)	\$ 19,130,167
Issuance of common stock for services			608,767	61	846,922	-	846,983
Fees incurred in connection with equity offerings			-	-	(132,325)	-	(132,325)
Exercise of common stock purchase warrants for cash			250,000	25	424,975	-	425,000
Exercise of common stock purchase warrants on a cashless basis			437,018	44	(44)	-	-
Warrants issued in connection with debt refinancing			-	-	705,541	-	705,541
Shares issued in connection with the payment of interest expense			26,509	3	59,377	-	59,380
Shares issued in connection with the management incentive plan for 2017			322,185	32	546,662	-	546,694
Warrant modification expense recorded in connection with the issuance of replacement warrants			-	-	179,640	-	179,640
Warrant modification expense recorded in connection with the reduction in the exercise price of certain warrants			-	-	165,640	-	165,640
Net loss			-	-	-	(7,089,962)	(7,089,962)
Preferred stock dividend					(100,000)		(100,000)
<b>Balance - December 31, 2018</b>	-	-	25,228,072	2,523	64,748,871	(50,014,636)	14,736,758
Issuance of common stock for services			948,603	95	614,395	-	614,490
Issuance of common stock under the at-the-market program for cash, net of fees			1,113,827	111	1,298,931	-	1,299,042
Issuance of common stock and warrants for cash, net of fees			2,469,136	247	1,914,753	-	1,915,000

Shares issued in connection with the management incentive plan for 2017 and 2018	289,216	29	216,238	-	216,267		
Fees incurred in connection with equity offerings	-	-	(127,514)	-	(127,514)		
Net loss	-	-	-	(11,789,455)	(11,789,455)		
Preferred stock dividends				(150,000)	(150,000)		
<b>Balance - December 31, 2019</b>	<u>-</u>	<u>\$ -</u>	<u>30,048,854</u>	<u>\$ 3,005</u>	<u>\$ 68,515,674</u>	<u>\$ (61,804,091)</u>	<u>\$ 6,714,588</u>

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

**Nxt-ID, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (11,789,455)	\$ (7,089,962)
Loss from discontinued operations	(3,432,270)	(5,761,346)
Loss on sale of discontinued operations	(5,988,767)	-
Loss from continuing operations	(2,368,418)	(1,328,616)
Adjustments to reconcile net loss to net cash used in operating activities of continuing operations:		
Depreciation	74,092	143,939
Stock based compensation	607,705	989,679
Amortization of debt discount	217,362	85,348
Amortization of intangible assets	761,815	761,815
Change in fair value of contingent consideration	(85,111)	(1,498,922)
Non-cash charge for modification of warrant terms	-	345,280
Loss on extinguishment of debt	2,343,879	68,213
Amortization of deferred debt issuance costs	656,393	291,721
Deferred taxes	(365,397)	29,996
Changes in operating assets and liabilities:		
Accounts receivable	208,497	135,259
Inventory	(432,766)	(164,191)
Prepaid expenses and other current assets	68,454	216,692
Accounts payable	787,379	362,464
Accrued expenses	(233,762)	(488,866)
Total Adjustments	4,608,540	1,278,427
<b>Net Cash Provided by (Used in) Operating Activities of Continuing Operations</b>	<b>2,240,122</b>	<b>(50,189)</b>
<b>Cash flows from Investing Activities</b>		
Pay down of contingent consideration	(181,065)	(3,156,088)
Net proceeds received from sale of discontinued operations	2,955,170	-
Purchase of equipment	(23,791)	(10,766)
<b>Net Cash Provided by (Used in) Investing Activities of Continuing Operations</b>	<b>2,750,314</b>	<b>(3,166,854)</b>
<b>Cash flows from Financing Activities</b>		
Proceeds from exercise of common stock warrants	-	425,000
Pay down of short-term debt	(638,881)	(212,961)
Proceeds received in connection with issuance of common stock and warrants, net	3,214,042	-
Repayment of term debt with Sagard Capital	(16,000,000)	-
Revolver borrowings, net	-	(12,000,000)
Term loan borrowings, net of deferred debt issue costs	14,670,579	14,906,030
Term loan repayment	(3,191,623)	-
Fees paid in connection with equity offerings	(55,546)	(54,735)
<b>Net Cash (Used In) Provided by Financing Activities of Continuing Operations</b>	<b>(2,001,429)</b>	<b>3,063,334</b>
<b>Net Increase (Decrease) in Cash and Restricted Cash from Continuing Operations</b>	<b>2,989,007</b>	<b>(153,709)</b>
<b>Cash Flows from Discontinued Operations:</b>		
Cash used by operating activities of discontinued operations	(2,844,419)	(3,894,987)
Cash used in investing activities of discontinued operations	(21,849)	(13,449)
<b>Net Cash Used by Discontinued Operations</b>	<b>(2,866,268)</b>	<b>(3,908,436)</b>
<b>Net Increase (Decrease) in Cash and Restricted Cash</b>	<b>122,739</b>	<b>(4,062,145)</b>
<b>Cash and Restricted Cash - Beginning of Year</b>	<b>1,614,641</b>	<b>5,676,786</b>
<b>Cash and Restricted Cash - End of Year</b>	<b>\$ 1,737,380</b>	<b>\$ 1,614,641</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
<b>Cash paid during the periods for:</b>		
Interest	\$ 2,013,618	\$ 3,153,450
Taxes	\$ 11,359	\$ 13,843
<b>Non-cash investing and financing activities:</b>		
Accrued fees incurred in connection with equity offerings	\$ 71,968	\$ 77,590
Common stock issued in connection with management incentive plans	\$ 216,267	\$ -
Issuance of warrants issued in connection with debt refinancing	\$ -	\$ 706,541
Accrued Series C preferred stock dividends	\$ 25,000	\$ 25,000

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

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - ORGANIZATION AND PRINCIPAL BUSINESS ACTIVITIES**

Nxt-ID, Inc. (“Nxt-ID” or the “Company”) was incorporated in the State of Delaware on February 8, 2012. As of December 31, 2018, the Company was no longer an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). The Company is a security technology company and operates its business in one segment – hardware and software security systems and applications. The Company is engaged in the development of proprietary products and solutions that serve multiple end markets, including the security, healthcare, financial technology and the Internet of Things (“IoT”) markets. The Company evaluates the performance of its business on, among other things, profit and loss from operations. With extensive experience in access control, biometric and behavior-metric identity verification, security and privacy, encryption and data protection, payments, miniaturization, and sensor technologies, the Company develops and markets solutions for payment, IoT and healthcare applications.

The Company’s wholly-owned subsidiary, LogicMark, manufactures and distributes non-monitored and monitored personal emergency response systems sold through the United States Department of Veterans Affairs, healthcare durable medical equipment dealers and distributors and monitored security dealers and distributors.

The Company’s former wholly-owned subsidiary, Fit Pay, Inc., had a proprietary technology platform that delivers payment, credential management, authentication and other secure services to the IoT ecosystem. The platform uses tokenization, a payment security technology that replaces cardholders’ account information with a unique digital identifier, to transact highly secure contactless payment and authentication services. On September 21, 2018, the Company announced that its board of directors approved a plan to separate the Company’s financial technology business from our healthcare business into an independent publicly traded company. The Company originally planned to distribute shares of PartX, Inc., a newly created company and wholly-owned subsidiary of the Company (“PartX”), to our stockholders through the execution of a spin-off. As a result, the Company reclassified its financial technology business to discontinued operations for all periods reported (See Note 4). The Company’s financial technology business was comprised of its Fit Pay subsidiary and the intellectual property developed by the Company, including the Flye Smartcard and the Wocket. On April 29, 2019, a Registration Statement on Form 10 was filed by PartX with the SEC in connection with the planned spin-off of our payments, authentication and credential management business. On August 19, 2019, the Company’s subsidiary, PartX notified the SEC that it was withdrawing the Registration Statement on Form 10. With the approval of the Company’s board of directors, and upon similar terms and conditions to those set forth in that loan agreement, the Company entered into a non-binding letter of intent for the sale of its Fit Pay subsidiary, excluding certain assets on August 6, 2019. In connection with the letter of intent, we were advanced \$500,000 of non-interest bearing working capital for Fit Pay. On September 9, 2019, the Company completed the sale of its Fit Pay subsidiary to Garmin International, Inc. for \$3.32 million in cash (See Note 4).

**NOTE 2 - LIQUIDITY AND MANAGEMENT PLANS**

The Company generated operating income of \$2,577,791 and a loss from continuing operations of \$2,368,418 for the year ended December 31, 2019. As of December 31, 2019, the Company had cash and stockholders’ equity of \$1,587,250 and \$6,714,588, respectively. At December 31, 2019, the Company’s continuing operations had a working capital deficiency of \$2,308,407. During the year ended December 31, 2019, The Company received net proceeds of \$3,214,042 from the issuance of common stock and warrants. In addition, the Company sold its subsidiary, Fit Pay, Inc. and also significantly reduced its operating expenses by approximately \$3.0 million on an annual basis. These strategic efforts will significantly enhance the Company’s cash flow generation as it moves forward into 2020.

Given the Company’s cash position at December 31, 2019 and its projected cash flow from operations, the Company believes that it will have sufficient capital to sustain operations for a period of one year following the date of this filing. The Company may also raise funds through equity or debt offerings to accelerate the execution of its long-term strategic plan to develop and commercialize its core products and to fulfill its product development commitments.



**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***USE OF ESTIMATES IN THE FINANCIAL STATEMENTS***

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company’s management evaluates these significant estimates and assumptions, including those related to the fair value of acquired assets and liabilities, stock based compensation, income taxes, allowance for doubtful accounts, long-lived assets, and inventories, and other matters that affect the consolidated financial statements and disclosures. Actual results could differ from those estimates.

***PRINCIPLES OF CONSOLIDATION***

The consolidated financial statements include the accounts of Nxt-ID and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

***CASH***

The Company considers all highly liquid securities with an original maturity date of three months or less when purchased to be cash equivalents. Due to their short-term nature, cash equivalents are carried at cost, which approximates fair value. At December 31, 2019 and 2018, the Company had no cash equivalents.

***RESTRICTED CASH***

At December 31, 2019 and 2018, the Company had restricted cash of \$150,130 and \$1,189,452, respectively. Restricted cash includes amounts held back by the Company’s third party credit card processor for potential customer refunds, claims and disputes. Pursuant to the terms and conditions of the Credit Agreement with Sagard Holdings Manager LP, the Company was required to transfer 50% of the excess Cash Flow generated by LogicMark into a restricted bank account controlled by Sagard Holdings Manager LP (See Note 9). At December 31, 2018, the Company’s restricted cash balance included \$998,950 related to LogicMark’s excess cash flow generated. Cash and restricted cash, as presented on the consolidated statements of cash flows, consists of \$1,587,250 and \$150,130 as of December 31, 2019, respectively, and \$425,189 and \$1,189,452 as of December 31, 2018.

***CONCENTRATIONS OF CREDIT RISK***

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company maintains its cash balances in large well-established financial institutions located in the United States. At times, the Company’s cash balances may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits.

***REVENUE RECOGNITION***

*Adoption of Topic 606*

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”, and collectively with its related subsequent amendments, “Topic 606”). Topic 606 supersedes previous revenue recognition guidance and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services. The Company adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2018. Under this transition method, the Company’s results in the consolidated statements of operations for the years ended December 31, 2019 and 2018 are presented under Topic 606.

The Company’s revenues consist of product sales to either end customers or to distributors. The Company’s revenues are derived from contracts with customers, which are in most cases customer purchase orders. For each contract, the promise to transfer the control of the products, each of which is individually distinct, is considered to be the identified performance obligation. As part of the consideration promised in each contract, the Company evaluates the customer’s credit risk. Our contracts do not have any financing components, as payment terms are generally due net 30 days after delivery. The Company’s products are almost always sold at fixed prices. In determining the transaction price, we evaluate whether the price is subject to any refunds, due to product returns or adjustments due to volume discounts, rebates or price concessions to determine the net consideration we expect to be entitled to. The Company’s sales are recognized at a point-in-time under the core principle of recognizing revenue when control transfers to the customer, which generally occurs when the Company ships or delivers the product from its fulfillment center to our customers, when our customer accepts and has legal title of the goods, and the Company has a present right to payment for such goods. Based on the respective contract terms, most of our contracts revenues are recognized either (i) upon shipment based on free on board (“FOB”) shipping point, or (ii) when the product arrives at its destination. For the years ended December 31, 2019 and 2018, none of our sales were recognized over time.

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Sales to Distributors and Resellers*

Sales to certain distributors and resellers are made under terms allowing limited rights of return of the Company's products held in their inventory or upon sale to their end customers. The Company maintains a reserve for unprocessed and estimated future price adjustments claims and returns as a refund liability. The reserve is recorded as a reduction to revenue in the same period that the related revenue is recorded and is calculated based on an analysis of historical claims and returns over a period of time to appropriately account for current pricing and business trends. Similarly, sales returns and allowances are recorded based on historical return rates, as a reduction to revenue with a corresponding reduction to cost of sales for the estimated cost of inventory that is expected to be returned. These reserves were not material upon the adoption of Topic 606 on January 1, 2018, nor were they material in the consolidated balance sheet at December 31, 2019 and 2018.

**SHIPPING AND HANDLING**

Amounts billed to customers for shipping and handling are included in revenues. The related freight charges incurred by the Company are included in selling and marketing expenses and were \$658,889 and \$605,067, respectively, for the years ended December 31, 2019 and 2018.

**ACCOUNTS RECEIVABLE**

For the years ended December 31, 2019 and 2018, the Company's revenues primarily included shipments of the LogicMark products. The terms and conditions of these sales provide certain customers with trade credit terms. In addition, these sales were made to the retailers with no rights of return and are subject to the normal warranties offered to the ultimate consumer for product defects.

Accounts receivable is stated at net realizable value. The Company regularly reviews accounts receivable balances and adjusts the receivable reserves as necessary whenever events or circumstances indicate the carrying value may not be recoverable. At December 31, 2019 and 2018, the Company had an allowance for doubtful accounts of \$126,733 and \$126,733, respectively.

**INVENTORY**

The Company measures inventory at the lower of cost or net realizable value, defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

The Company performs regular reviews of inventory quantities on hand and evaluates the realizable value of its inventories. The Company adjusts the carrying value of the inventory as necessary with estimated valuation reserves for excess, obsolete, and slow-moving inventory by comparing the individual inventory parts to forecasted product demand or production requirements. The inventory is valued at the lower of cost or net realizable value with cost determined using the first-in, first-out method. As of December 31, 2019, inventory was comprised of \$167,357 in raw materials and \$1,135,922 in finished goods on hand. As of December 31, 2018 inventory was comprised of \$870,513 in finished goods on hand. The Company is required to prepay for certain inventory with certain vendors until credit terms can be established. As of December 31, 2019 and 2018, \$201,496 and \$317,488, respectively, of prepayments made for inventory is included in prepaid expenses and other current assets on the consolidated balance sheet.

**LONG-LIVED ASSETS**

Long-lived assets, such as property and equipment, and other intangibles are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. When indicators exist, the Company tests for the impairment of the definite-lived assets based on the undiscounted future cash flow the assets are expected to generate over their remaining useful lives, compared to the carrying value of the assets. If the carrying amount of the assets is determined not to be recoverable, a write-down to fair value is recorded. Management estimates future cash flows using assumptions about expected future operating performance. Management's estimates of future cash flows may differ from actual cash flow due to, among other things, technological changes, economic conditions or changes to the Company's business operations.

**PROPERTY AND EQUIPMENT**

Property and equipment consisting of furniture, fixtures and tooling is stated at cost. The costs of additions and improvements are generally capitalized and expenditures for repairs and maintenance are expensed in the period incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful life of the respective asset as follows:

Equipment	5 years
Furniture and fixtures	3 to 5 years
Tooling and molds	2 to 3 years

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***GOODWILL***

Authoritative accounting guidance allows the Company to first assess qualitative factors to determine whether it is necessary to perform the more detailed two-step quantitative goodwill impairment test. The Company performs the quantitative test if its qualitative assessment determined it is more likely than not that a reporting unit's fair value is less than its carrying amount. The Company may elect to bypass the qualitative assessment and proceed directly to the quantitative test for any reporting units or assets. The quantitative goodwill impairment test, if necessary, is a two-step process. The first step is to identify the existence of a potential impairment by comparing the fair value of a reporting unit (the estimated fair value of a reporting unit is calculated using a discounted cash flow model) with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, the reporting unit's goodwill is considered not to be impaired and performance of the second step of the quantitative goodwill impairment test is unnecessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step of the quantitative goodwill impairment test is performed to measure the amount of impairment loss to be recorded, if any. The second step of the quantitative goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined using the same approach as employed when determining the amount of goodwill that would be recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of its assets and liabilities as if the reporting unit had been acquired in a business combination and the fair value was the purchase price paid to acquire the reporting unit.

As part of the annual evaluation of the LogicMark related goodwill, the Company utilized the option to first assess qualitative factors, which include but are not limited to, economic, market and industry conditions, as well as the financial performance of LogicMark. In accordance with applicable guidance, an entity is not required to calculate the fair value of a reporting unit if, after assessing these qualitative factors, the Company determines that it is more likely than not that its reporting unit's fair value is greater than its carrying amount. During the year ended December 31, 2019, the Company determined that it was more likely than not that the fair value of LogicMark exceeded its respective carrying amount and therefore, a quantitative assessment was not required.

The goodwill associated with the Company's acquisition of Fit Pay was \$9,119,709 and was included as part of the Company's discontinued operations. On September 9, 2019, the Company sold its discontinued operations and the goodwill associated with Fit Pay was written off and is included as part of the loss on sale of discontinued operations (See Note 4).

***OTHER INTANGIBLE ASSETS***

The Company's intangible assets are related to the acquisition of LogicMark and are included in other intangible assets in the Company's consolidated balance sheet at December 31, 2019 and 2018.

At December 31, 2019, the other intangible assets relating to the acquisition of LogicMark are comprised of patents of \$2,818,434; trademarks of \$1,041,370; and customer relationships of \$2,140,473. At December 31, 2018, the other intangible assets relating to the acquisition of LogicMark are comprised of patents of \$3,191,159; trademarks of \$1,104,246; and customer relationships of \$2,466,687. The Company will continue amortizing these intangible assets using the straight line method over their estimated useful lives which for the patents, trademarks and customer relationships are 11 years; 20 years; and 10 years, respectively. During the years ended December 31, 2019 and 2018, the Company had amortization expense of \$761,815 and \$761,815, respectively, related to the LogicMark intangible assets.

Amortization expense estimated for each of the next five fiscal years, 2020 through 2024, is expected to be approximately \$762,000 per year.

***CONVERTIBLE INSTRUMENTS***

The Company applies the accounting standards for derivatives and hedging and for distinguishing liabilities from equity when accounting for hybrid contracts that feature conversion options. The accounting standards require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (i) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (ii) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (iii) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. The derivative is subsequently marked to market at each reporting date based on current fair value, with the changes in fair value reported in the results of operations.

Conversion options that contain variable settlement features such as provisions to adjust the conversion price upon subsequent issuances of equity or equity linked securities at exercise prices more favorable than that featured in the hybrid contract generally result in their bifurcation from the host instrument.

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***CONVERTIBLE INSTRUMENTS (CONTINUED)***

The Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. The debt discounts under these arrangements are amortized over the earlier of (i) the term of the related debt using the straight line method which approximates the interest rate method or (ii) conversion of the debt. The amortization of debt discount is included as a component of interest expense included in other income and expenses in the accompanying consolidated statements of operations. See Note 7.

***DERIVATIVE FINANCIAL INSTRUMENTS***

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks. The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company uses the Black-Scholes or binomial option valuation model to value the derivative instruments at inception and on subsequent valuation dates. The Company accounts for conversion features that are embedded within the Company's convertible notes payable that do not have fixed settlement provisions as a separate derivative instrument. In addition, warrants issued by the Company that do not have fixed settlement provisions are also treated as derivative instruments. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date. See Note 8.

***INCOME TAXES***

The Company uses the asset and liability method of accounting for income taxes. Income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized.

ASC Topic 740-10-30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740-10-40 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company will classify as income tax expense any interest and penalties. The Company has no material uncertain tax positions for any of the reporting periods presented. Generally, the tax authorities may examine tax returns for three years from the date of filing. The Company has filed all of its tax returns for all prior periods through December 31, 2018.

***STOCK-BASED COMPENSATION***

The Company accounts for share-based awards exchanged for employee services at the estimated grant date fair value of the award. The Company accounts for equity instruments issued to non-employees at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instrument vests or becomes non-forfeitable. Non-employee stock-based compensation charges are amortized over the vesting period or as earned. Stock-based compensation is recorded in the same component of operating expenses as if it were paid in cash. The Company generally issues new shares of common stock to satisfy conversion and warrant exercises.

***NET LOSS PER SHARE***

Basic loss per share was computed using the weighted average number of common shares outstanding. Diluted loss per share includes the effect of diluted common stock equivalents. Potentially dilutive securities from the exercise of 6,973,221 and 5,090,352 warrants as of December 31, 2019 and 2018, respectively, were excluded from the computation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive.

***RESEARCH AND DEVELOPMENT***

Research and development costs consist of expenditures incurred during the course of planned research and investigation aimed at the discovery of new knowledge, which will be useful in developing new products or processes. The Company expenses all research and development costs as incurred.

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**RECLASSIFICATIONS**

Certain accounts in the prior period consolidated financial statements have been reclassified for comparison purposes to conform to the presentation of the current period consolidated financial statements. These reclassifications had no effect on the previously reported net loss.

**RECENT ACCOUNTING PRONOUNCEMENTS**

In August 2018, the FASB issued ASU 2018-13, which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. Adoption of this guidance is required for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. This ASU was adopted and did not have a material impact on the Company's consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception". Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. This ASU was adopted as of January 1, 2019 and did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which amended, among other things, the existing guidance by requiring lessees to recognize lease right-of-use assets ("ROU assets") and liabilities arising from operating leases on the balance sheet. Since issuing Topic 842, the FASB has issued various subsequent ASUs, including but not limited to ASU 2018-10, "Codification Improvements to Topic 842, Leases," which clarified various aspects of the guidance under Topic 842, as well as ASU 2018-11, "Leases (Topic 842): Targeted Improvements," which allows entities the option of recognizing the cumulative effect of applying Topic 842 as an adjustment to the opening balance of retained earnings in the year of adoption while continuing to present all prior periods under previous lease accounting guidance. Prior to the adoption, the Company evaluated Topic 842, including the initial review of any necessary changes to existing processes and systems that would be required to implement this standard, in order to determine its impact on the Company's consolidated financial statements and related disclosures.

The Company adopted Topic 842 on January 1, 2019 using the updated modified retrospective transition approach allowed under ASU 2018-11 and did not restate prior periods. The Company recognized ROU assets and related lease liabilities on its condensed consolidated balance sheet as of January 1, 2019 of approximately \$267,516 and \$269,820, respectively, related to its operating lease commitments, and there was no cumulative impact on retained earnings as of January 1, 2019. Topic 842 did not have a material impact on the Company's condensed consolidated statements of income and consolidated statements of cash flow for the year ended December 31, 2019, nor did it have any impact on the Company's compliance with debt covenants. The adoption of Topic 842 provided various optional practical expedients in transition, some of which the Company elected. Going forward, the impact of Topic 842 on the Company's consolidated financial statements will be dependent upon the Company's lease portfolio. The accounting for finance leases (formerly referred to as "capital leases") remains substantially unchanged. See Note 10 herein for further details regarding the impact of the adoption of Topic 842 and other information related to the Company's lease portfolio.

Other recent accounting standards that have been issued or proposed by FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's consolidated financial statements upon adoption.

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - DISCONTINUED OPERATIONS**

On September 9, 2019 the Company entered into a stock purchase agreement (the “Purchase Agreement”), by and between Garmin International, Inc., a Kansas corporation (“Garmin”), the Company and Fit Pay, a Delaware corporation and wholly owned subsidiary of the Company, pursuant to which the Company sold and transferred all of the issued and outstanding shares of capital stock of Fit Pay, which consisted of 1,000 shares of common stock, par value \$0.0001 per share, of Fit Pay (the “Shares”), to Garmin (the “Sale”). As previously disclosed, the Company conducted its payments business through Fit Pay, and Fit Pay provided technology, platform and tokenization services to Garmin to power Garmin Pay™, a contactless payment feature included on smartwatches manufactured by Garmin. In consideration for the Shares, Garmin paid the Company an aggregate amount of approximately \$3.32 million in cash (the “Purchase Price”). A portion of the proceeds received by the Company pursuant to the Purchase Agreement were used to pay in full a promissory note issued by the Company to one of its directors, as well as to pay down the promissory note that had been issued pursuant to the Credit Agreement (the “Promissory Note”). Garmin previously paid the Company \$500,000 of the Purchase Price as an advance on August 7, 2019, and paid the remainder of the Purchase Price at the closing of the Sale. The Company recorded a loss on the sale of its discontinued operations of \$5,988,767. The loss on sale of discontinued operations for the year ended December 31, 2019 is comprised of the following:

Total sales price	\$ 3,323,198
Net book value of discontinued operations <sup>(1)</sup>	126,062
Write-off of goodwill related to acquisition of Fit Pay	(9,119,709)
Write-off of unamortized other intangibles related to acquisition of Fit Pay	(2,674,607)
Write-off of remaining contingent consideration	2,611,169
Transaction fees incurred	(254,880)
Loss on sale of discontinued operations	<u>\$ (5,988,767)</u>

(1) The net book value of discontinued operations at September 8, 2019 included cash of \$113,148.

Also in connection with the Purchase Agreement, the Company entered into a Manufacturing and Distribution Agreement, dated as of September 9, 2019 (the “Manufacturing Agreement”), with Garmin Switzerland GmbH, a Swiss corporation (“Garmin Switzerland”), pursuant to which Garmin Switzerland agreed to grant the Company a non-exclusive right to manufacture, distribute and sell Garmin Switzerland’s proprietary smart wallet (the “Product”) to certain customers in the U.S. designated by Garmin Switzerland on a royalty-free basis (the “License”), unless otherwise agreed to by the parties thereto. The Company was also granted a right to sub-license the Product pursuant to the Manufacturing Agreement. The Company’s has been granted the License for an initial term of three years, which term automatically renews for additional one-year periods unless either party provides the other with at least ninety days written notice of its election not to renew such term. The Manufacturing Agreement may be terminated by either party if (i) a party breaches any material provision of such agreement, which breach is not cured within thirty calendar days after receipt of written notice of such breach, (ii) upon written notice, a party petitions for reorganization or to be adjudicated to be bankrupt, or if a receiver is appointed for substantially all of either party’s business, or a party makes a general assignment for the benefit of such party’s creditors, or if any involuntary bankruptcy petition is brought against such party and has not been discharged within sixty calendar days of the date the petition is brought, or (iii) in the event of a change of control (as defined in the Manufacturing Agreement).

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - DISCONTINUED OPERATIONS (CONTINUED)**

The following table presents the assets and liabilities related to the financial technology product line classified as assets and liabilities associated with discontinued operations (See Note 1) in the consolidated balance sheets as of December 31, 2019 and 2018:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Accounts receivable, net	\$ -	\$ 125,318
Inventory, net	-	-
Prepaid expenses and other assets	-	96,909
Total current assets associated with discontinued operations	<u>\$ -</u>	<u>\$ 222,227</u>
Property and equipment, net	-	38,793
Goodwill	-	9,119,709
Other intangible assets	-	3,112,224
Total non-current assets associated with discontinued operations	<u>\$ -</u>	<u>\$ 12,270,726</u>
Accounts payable	\$ -	\$ 175,982
Accrued expenses	-	185,978
Customer deposits	-	3,333
Total liabilities associated with discontinued operations	<u>\$ -</u>	<u>\$ 365,293</u>

The following table represents the financial results of the discontinued operations for the years ended December 31, 2019 and 2018:

	<u>For the Years Ended</u> <u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Net sales	\$ 625,771	\$ 1,696,414
Cost of sales	194,856	2,484,157
Gross profit (loss)	430,915	(787,743)
Operating expenses	3,859,222	4,969,140
Interest expense	3,963	3,663
Income tax expense (benefit)	-	800
Loss from discontinued operations	<u>\$ (3,432,270)</u>	<u>\$ (5,761,346)</u>

- (1) The contingent liability associated with the earn-out payment due to the Fit Pay Sellers is not included in discontinued operations.
- (2) During the year ended December 31, 2018, the Company recognized revenue of \$737,993 from WorldVentures Holdings, LLC (“WVH”), a related party. Dr. D’Almada-Remedios, a director of the Company, was the former Chief Executive Officer of Flye Inc., a payment technology company owned by WVH. The Company’s accounts receivable, net balance at December 31, 2018 included \$0, due from WVH. The business with WVH is included as part of the Company’s discontinued operations for the year ended December 31, 2018.

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5 - ACCRUED EXPENSES**

Accrued expenses consist of the following:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Salaries and payroll taxes	\$ 92,334	\$ 89,065
Consulting fees	53,563	236,000
Merchant bank fees	26,589	28,108
State income taxes	23,800	1,533
Professional fees	119,016	84,704
Management incentives	758,907	868,082
Interest expense	148,980	16,342
Lease liability	68,576	-
Dividends – Series C Preferred Stock	22,182	25,000
Agent and loan amendment fees	-	235,000
Other	178,164	117,727
Totals	\$ 1,492,111	\$ 1,701,561

**NOTE 6 - FAIR VALUE MEASUREMENTS**

Fair value of financial instruments is defined as an exit price, which is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. The degree of judgment utilized in measuring the fair value of assets and liabilities generally correlates to the level of pricing observability. Financial assets and liabilities with readily available, actively quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and require less judgment in measuring fair value. Conversely, financial assets and liabilities that are rarely traded or not quoted have less price observability and are generally measured at fair value using valuation models that require more judgment. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency of the asset, liability or market and the nature of the asset or liability. The Company has categorized its financial assets and liabilities measured at fair value into a three-level hierarchy.

*Valuation Hierarchy*

ASC 820, “Fair Value Measurements and Disclosures,” establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company’s own assumptions used to measure assets and liabilities at fair value. A financial asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The Company did not have any liabilities carried at fair value measured on a recurring basis as of December 31, 2019 and 2018.

The carrying amounts of cash and accounts payable approximate their fair value due to their short maturities. The Company’s other financial instruments include its convertible notes payable obligations. The carrying value of these instruments approximate fair value, as they bear terms and conditions comparable to market, for obligations with similar terms and maturities. The Company measures the fair value of financial assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 3 liabilities are valued using unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the derivative liabilities.

*Level 3 Valuation Techniques*

Level 3 financial liabilities consist of the conversion feature liability and common stock purchase warrants for which there are no current markets for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate. A significant decrease in the volatility or a significant decrease in the Company’s stock price, in isolation, would result in a significantly lower fair value measurement.

During the years ended December 31, 2019 and 2018, there were no transfers in or out of Level 3 from other levels in the fair value hierarchy.



**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7 - DEBT REFINANCING**

On May 24, 2018, LogicMark, a wholly owned subsidiary of Nxt-ID, entered into a Senior Secured Credit Agreement (the “Credit Agreement”) with the lenders thereto and Sagard Holdings Manager LP, as administrative agent and collateral agent for the lenders party to the Credit Agreement (collectively, the “Lender”), whereby the Lender extended a term loan (the “Term Loan”) to LogicMark in the principal amount of \$16,000,000. The original maturity date of the Term Loan was May 24, 2023. The Term Loan Facility with Sagard Holdings Manager LP was repaid on May 3, 2019 with Term Loan proceeds received from CrowdOut Capital LLC (see below). The outstanding principal amount of the Term Loan bears interest at a rate of LIBOR, adjusted monthly, plus 9.5% per annum. The Company incurred \$1,253,970 in deferred debt issue costs related to the Term Loan. During the years ended December 31, 2019 and 2018, the Company amortized \$86,969 and \$151,690, respectively of the deferred debt issue costs which is included in interest expense in the consolidated statement of operations. Pursuant to the terms and conditions of the Credit Agreement with the lender, LogicMark was required to deposit 50% of its excess cash flow generated into a restricted bank account for a maximum period of one (1) year. The Company’s restricted cash balance at December 31, 2018 included \$998,950 related to LogicMark’s excess cash flow generated.

On May 24, 2018, the Company recorded a debt discount of \$705,541. The debt discount was attributable to the aggregate fair value of the warrants that were issued to the Lender in connection with the Term Loan Facility with Sagard Holdings Manager LP. The debt discount was amortized using the effective interest method over the five-year term of the Term Loan. During the years ended December 31, 2019 and 2018 the Company recorded \$48,932 and \$85,348 respectively of debt discount amortization related to the Sagard Warrants. The debt discount amortization is included as part of interest expense in the consolidated statements of operations.

On May 3, 2019, LogicMark completed the closing of a \$16,500,000 senior secured term loan with the lenders thereto and CrowdOut Capital LLC, as administrative agent. The Company used the proceeds from the term loan to repay LogicMark’s existing term loan facility with Sagard Holdings Manager LP and to pay other costs related to the refinancing. The maturity date of the term loan with CrowdOut Capital LLC is May 3, 2022 and requires the Company to make minimum principal payments over the three-year term amortized over 96 months. Since the inception of the refinancing, the Company has made scheduled principal repayments totaling \$1,203,125 through December 31, 2019. In addition, the Company prepaid an additional \$1,988,498 of the term loan with CrowdOut Capital LLC in September 2019 with a portion of the proceeds received from the sale of discontinued operations. The outstanding principal amount of the Term Loan bears interest at a rate of LIBOR, adjusted monthly, plus 11.0% per annum (approximately 13.0% as of December 31, 2019). The Company incurred \$412,500 in original issue discount for closing related fees charged by the Lender. During the year ended December 31, 2019, the Company amortized \$168,430 of the original issue discount which is included in interest expense in the consolidated statement of operations. At December 31, 2019 the unamortized balance of the original issue discount was \$244,070. The Company also incurred \$1,831,989 in deferred debt issue costs related to the Term Loan. The deferred debt issue costs include an exit fee of \$1,072,500 which is equivalent to 6.5% of the term loan amount borrowed from CrowdOut Capital. The exit fee is due to CrowdOut Capital upon the earlier of final repayment of the term loan facility or the maturity date. The liability for the exit fee is included as part of other long-term liabilities in the Company’s consolidated balance sheet. During the year ended December 31, 2019, the Company amortized \$569,424, respectively of the deferred debt issue costs which is included in interest expense in the consolidated statements of operations. At December 31, 2019 the unamortized balance of deferred debt issue costs was \$1,262,565.

Debt Maturity

The maturity of the Company’s term debt is as follows:

2020	\$ 2,062,500
2021	2,062,500
2022	<u>9,183,377</u>
Total term debt	<u>\$ 13,308,377</u>

In connection with the Term Loan refinancing on May 3, 2019, the Company incurred a loss on extinguishment of debt of \$2,343,879 which included the write off of unamortized deferred debt issuance costs and note discount of \$1,015,311 and \$571,260, respectively resulting from the May 24, 2018 Term Loan facility with Sagard Holdings Manager LP and a yield maintenance premium, a prepayment penalty and legal fees due to Sagard Holdings Manager LP, totaling \$757,308.

The Credit Agreement contains customary financial covenants. As of December 31, 2019, the Company was in compliance with such covenants.

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8 - STOCKHOLDERS' EQUITY**

**January 2019 At-the-Market Offering**

On January 8, 2019, the Company entered into a sales agreement with A.G.P./Alliance Global Partners ("A.G.P.") for an at-the-market offering, pursuant to which the Company could sell, at its option, shares of its common stock, par value \$0.0001 per share, having an aggregate offering price of up to \$15 million to or through A.G.P., as sales agent. The Company was obligated to pay A.G.P. commissions for its services in acting as the Company's sales agent in the sale of its common stock pursuant to the sales agreement. A.G.P. was entitled to compensation at a fixed commission rate of 3.0% of the gross proceeds from the sale of the Company's common stock on the Company's behalf pursuant to the sales agreement. The Company also agreed to reimburse A.G.P. for its reasonable out-of-pocket expenses, including the fees and disbursements of counsel to A.G.P., incurred in connection with the offering, in an amount not to exceed \$35,000. During the year ended December 31, 2019, the Company received \$1,299,042 in net proceeds from the sale of 1,113,827 shares of its common stock under the sales agreement with A.G.P. On April 2, 2019, the Company entered into a Securities Purchase agreement with an investor in connection with a registered direct public offering of 2,469,136 shares of the Company's common stock. The shares of common stock were offered at a price of \$0.81 per share and the Company received \$1,915,000 in net proceeds from the sale. The Company also issued to the investor for no additional consideration common stock purchase warrants to purchase 2,469,136 shares of common stock. The warrants are exercisable upon issuance at an exercise price of \$1.05 and expire on the fifth (5<sup>th</sup>) anniversary of the initial exercise date. The sales agreement with A.G.P. was terminated on October 10, 2019.

**2013 Long-Term Stock Incentive Plan**

On January 4, 2013, a majority of the Company's stockholders approved by written consent the Company's 2013 Long-Term Stock Incentive Plan ("LTIP"). The maximum aggregate number of shares of common stock that may be issued under the LTIP, including stock awards, stock issued to directors for serving on the Company's board of directors, and stock appreciation rights, is limited to 10% of the shares of common stock outstanding on the first business or trading day of any fiscal year, which is 592,223 shares of common stock at January 1, 2020.

During the year ended December 31, 2019, the Company issued an aggregate of 576,525 shares of common stock under the LTIP to five (5) non-employee directors for serving on the Company's board. The aggregate fair value of the shares issued to the directors was \$360,000.

**2017 Stock Incentive Plan**

On August 24, 2017, a majority of the Company's stockholders approved at the 2017 Annual Stockholders' Meeting the 2017 Stock Incentive Plan ("2017 SIP"). The aggregate maximum number of shares of common stock (including shares underlying options) that may be issued under the 2017 SIP pursuant to awards of restricted shares or options will be limited to 10% of the outstanding shares of common stock, which calculation shall be made on the first (1<sup>st</sup>) business day of each new fiscal year; provided that for fiscal year 2017, 1,500,000 shares of common stock may be delivered to participants under the 2017 SIP. Thereafter, the 10% provision shall govern the 2017 SIP. The number of shares of common stock that are the subject of awards under the 2017 SIP which are forfeited or terminated, are settled in cash in lieu of shares of common stock or are settled in a manner such that all or some of such shares covered by an award are not issued to a participant or are exchanged for awards that do not involve shares of common stock will again immediately become available to be issued pursuant to awards granted under the 2017 SIP. If shares of common stock are withheld from payment of an award to satisfy tax obligations with respect to the award, those shares of common stock will be treated as shares that have been issued under the 2017 SIP and will not again be available for issuance under the 2017 SIP.

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8 - STOCKHOLDERS' EQUITY (CONTINUED)**

In addition, during the year ended December 31, 2019, the Company issued 289,216 shares of common stock with an aggregate fair value of \$216,267 to certain non-executive employees related to the Company's 2017 and 2018 management incentive plan.

During the years ended December 31, 2019 and 2018, the Company accrued \$200,000 and \$909,364, respectively of management and employee bonus expense.

During the year ended December 31, 2019, the Company issued 372,078 shares of common stock with a fair value of \$254,490 to non-employees for services rendered.

During the year ended December 31, 2018, the Company issued 317,700 shares of common stock under both the LTIP and the 2017 SIP to five (5) non-executive directors for serving on the Company's board. The aggregate fair value of the shares issued to the directors was \$375,111. Also during the year ended December 31, 2018, the Company issued 322,185 shares of common stock with an aggregate fair value of \$546,694 to executive and certain non-executive employees related to the Company's 2017 management incentive plan.

During the year ended December 31, 2018, the Company issued 317,576 fully-vested shares of common stock with a fair value of \$534,163 to non-employees for services rendered. In addition, the Company issued 26,509 shares of common stock with a fair value of \$59,380 as payment of interest expense.

*Series C Preferred Stock*

In May 2017, the Company authorized a new Series C Preferred Stock. The terms of the Series C Preferred Stock are as follows:

**Dividends on Series C Preferred Stock**

Holder of Series C Preferred Stock are entitled to receive from and after the first date of issuance of the Series C Preferred Stock, cumulative dividends at a rate of 5% per annum on a compounded basis, which dividend amount shall be guaranteed. Accrued and unpaid dividends are payable in cash. For the years ended December 31, 2019 and 2018, the Company recorded Series C Preferred Stock dividends of \$150,000 and \$100,000, respectively.

**Redemption Provisions of Series C Preferred Stock**

The Series C Preferred Stock may be redeemed by the Company at the Company's option in cash at any time, in whole or in part, upon payment of the stated value of the Series C Preferred Stock, and all related accrued but unpaid dividends. If a "fundamental change" occurs at any time while the Series C Preferred Stock is outstanding, the holders of shares of Series C Preferred Stock shall be immediately redeemed and repaid from assets of the Company or the proceeds of such fundamental change, as applicable, and legally available for distribution to its stockholders, an amount in cash equal to the stated value of the Series C Preferred Stock, and all related accrued but unpaid dividends.

If the legally available assets of the Company and the proceeds of such "fundamental change" are insufficient to pay all of the Holders of the Series C Preferred Stock, then the Holders of the Series C Preferred Stock shall share ratably in any such distribution in proportion to the amount that they would have been entitled to. A fundamental change includes but is not limited to: any change in the ownership of at least fifty percent (50%) of the voting stock; liquidation or dissolution; or the common stock ceases to be listed on the market upon which it currently trades.

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8 - STOCKHOLDERS' EQUITY (CONTINUED)**

**Voting Rights**

The holders of the Series C Preferred Stock are entitled to vote on any matter submitted to the stockholders of the Company for a vote. One (1) share of Series C Preferred Stock shall carry the same voting rights as one (1) share of common stock.

**Classification**

A redeemable equity security is to be classified as temporary equity if it is conditionally redeemable upon the occurrence of an event that is not solely within the control of the issuer upon the determination that such events are probable, the equity security would be classified as a liability. Given the Series C Preferred Stock contains a fundamental change provision, the security is considered conditionally redeemable. Therefore, the Company classified the Series C Preferred Stock as temporary equity in the consolidated balance sheets at December 31, 2019 and 2018 until such time that events occur that indicate otherwise.

On June 11, 2019, the Company made a retroactive dividend payment adjustment of \$50,000 to the Series C Preferred Stockholders pursuant to the terms and conditions set forth in the Certificate of Designations, Preferences and Rights of the Series C Non-Convertible Voting Preferred Stock.

*Warrants*

The following table summarizes the Company's warrants outstanding and exercisable at December 31, 2019 and 2018:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Aggregate Intrinsic Value
Outstanding at January 1, 2018	5,777,650	\$ 5.08	4.26	\$ 6,672,902
Issued	638,162	3.83	4.45	-
Exercised (1)	(1,325,000)	1.94	-	-
Cancelled	(460)	10.00	-	-
Outstanding and Exercisable at December 31, 2018	5,090,352	\$ 5.42	3.32	\$ 6,672,902
Issued	2,469,136	1.05	5.00	-
Exercised	-	-	-	-
Cancelled	(586,267)	17.87	-	-
Outstanding and Exercisable at December 31, 2019	6,973,221	\$ 2.83	3.53	\$ -

(1) During the year ended December 31, 2018, 1,075,000 warrants were exercised on a cashless basis and were converted into 437,018 shares of common stock. In addition, the Company received proceeds of \$425,000 in connection with the exercise of warrants into 250,000 shares of common stock at an average exercise price of \$1.70 per share.

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8 - STOCKHOLDERS' EQUITY (CONTINUED)**

On September 14, 2018, the Company entered into a Warrant Amendment and Exercise Agreement with certain holders (collectively, the "Investors") of previously issued Common Stock Purchase Warrants (the "Old Warrants"). In connection with those certain Common Stock Purchase Warrants between the Company and the Investors dated July 13, 2017, July 19, 2017 and November 13, 2017 (the "Warrant Agreements"), the Company agreed to issue to the Investors warrants to purchase up to 3,273,601 shares of common stock at an exercise price of \$2.00 per share, (the "New Warrants"), under certain circumstances. Under the terms of the Amendment Agreement, in consideration of the Investors' exercising up to 3,273,601 of the Old Warrants, the exercise price per share of the Old Warrants was reduced to \$1.50 per share. The Investors may continue to exercise the Old Warrants after December 31, 2018, but will not receive any New Warrants for any warrants exercised after that date. The exercise price per share of the New Warrants represented a 30% premium to the closing price for the Company's common stock on September 14, 2018.

The New Warrants, if issued, are exercisable for up to the original expiration dates of the Old Warrants, or July 19, 2022, January 23, 2023, or May 13, 2023, as applicable. The exercise price and number of shares issuable upon exercise of the New Warrants are subject to traditional adjustments for stock splits, combinations, recapitalization events and certain dilutive issuances. The New Warrants are required to be exercised for cash; however, if during the term of the New Warrants there is not an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), covering the resale of the shares issuable upon exercise of the New Warrants, then the New Warrants may be exercised on a cashless (net exercise) basis.

As a result of this Warrant Amendment and Exercise Agreement, the Company recorded a warrant modification expense of \$165,640 for the year ended December 31, 2018 related to the reduction in the exercise price of the Old Warrants from \$2.00 to \$1.50. In addition, the Company also recorded a warrant modification expense of \$179,640 for the year ended December 31, 2018 resulting from the issuance of 150,000 replacement warrants with an exercise price of \$2.00 for warrants that were exercised during 2018.

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 9 - INCOME TAXES**

As of December 31, 2019, the Company had US federal and state net operating loss (“NOLs”) carryovers of \$39,434,056 and \$23,783,357, respectively. Federal and state NOL’s generated through December 31, 2017 are available to offset future taxable income, which expire beginning in 2033. Federal NOL’s generated for years starting after December 31, 2018 are available to offset future taxable income indefinitely. The Company has Federal Capital loss carryovers of \$11,779,190 at December 31, 2019, which expire in 2024. In addition, the Company had tax credit carryforwards of \$205,028 at December 31, 2019 that will be available to reduce future tax liabilities. The tax credit carryforwards will begin to expire beginning in 2033.

In accordance with Section 382 of the Internal Revenue Code, deductibility of the Company’s NOLs may be subject to an annual limitation in the event of a change of control. The Company has not determined whether a change of control has occurred as of December 31, 2019 with respect to the Nxt-ID NOLs and therefore no limitation under Section 382 has been computed related to the Nxt-ID NOLs, including NOL’s generated by Fit Pay following its acquisition in 2017. Management will review for such limitations before any of the Nxt-ID NOLs against future taxable income. The NOLs as of December 31, 2018 included those related to Fit Pay. As of December 31, 2019 the remaining NOLs held by the Company exclude those that left the consolidated group upon sale of Fit Pay.

The Company has no material uncertain tax positions for any of the reporting periods presented. No interest or penalty expense was recorded during the year or has been accrued as of December 31, 2018 or 2019. The Company does not expect any material changes to any uncertain tax positions in the next twelve months. The Company has filed all of its tax returns for all prior periods through December 31, 2018 and intends to timely file the income tax returns for the period ending December 31, 2019. As a result, the Company’s net operating loss carryovers will now be available to offset any future taxable income.

The Company is subject to taxation in the United States and various states. As of December 31, 2019, the Company’s tax years post 2015 are subject to examination by the tax authorities. With few exceptions, as of December 31, 2019 the Company is no longer subject to U.S. federal or state examinations by tax authorities for years before December 31, 2016. The Company has not been examined or received notice of pending examination by the federal or any state and local tax authority. To the extent a tax authority examines an open tax year and makes an assessment, the results from operations could be affected through additional tax liabilities or adjustments to the amount of NOL carryforward or tax basis of other components of deferred tax.

The income tax (benefit) provision consists of the following:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Current income tax provision from continuing operations		
Federal	\$ -	\$ -
State	32,826	4,327
	<u>32,826</u>	<u>4,327</u>
Deferred income tax (benefit) from continuing operations		
Federal	(3,589,359)	(1,418,827)
State	(542,836)	(439,301)
Change in valuation allowance from continuing operations	3,766,798	1,888,124
	<u>(365,397)</u>	<u>29,996</u>
Income tax (benefit) provision from continuing operations	<u>(332,571)</u>	34,323
Income tax provision (benefit) from discontinued operations	-	800
Total income tax provision (benefit)	<u>\$ (332,571)</u>	<u>\$ 35,123</u>

A reconciliation of the effective income tax rate and the statutory federal income tax rate from continuing operations is as follows:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
U.S. federal statutory rate	21.00%	21.00%
State income tax rate, net of federal benefit	7.83	12.89
Other permanent differences	(4.59)	(5.63)
Loss on sale of Fit Pay	45.02	-
Less: valuation allowance	(56.95)	(30.91)
Provision for income taxes	<u>(12.31)%</u>	<u>(2.65)%</u>

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 9 - INCOME TAXES (CONTINUED)**

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all of the information available, Management believes that significant uncertainty exists with respect to future realization of all of the deferred tax assets and has therefore established a full valuation allowance. Nxt-ID considered the deferred tax liabilities related to indefinite lived intangibles not allowable as a source of future taxable income in determining the amount of valuation allowance at December 31, 2018, resulting in net deferred tax liability after applying valuation allowance. For the period ended December 31, 2019, sufficient net operating losses with indefinite carryforward periods have been generated, such that the deferred tax liabilities related to indefinite lived intangibles now represent a source of future taxable income with respect to the utilization of these deferred tax assets. As a result, the net deferred tax liability is zero as of December 31, 2019.

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are presented below:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax assets:		
Net operating loss carryforward	\$ 9,362,936	\$ 9,819,344
Tax credits	205,028	333,673
Lease liabilities	25,768	-
Accruals and reserves	278,648	1,616,359
Capital loss carryforwards	2,820,405	-
Tangible and intangible assets	325,754	315,493
Charitable donations	5,874	3,036
Total deferred tax assets before valuation allowance:	13,024,413	12,087,905
Valuation allowance	(12,212,147)	(10,967,136)
Deferred tax assets, net of valuation allowance	812,266	1,120,769
Deferred tax liabilities:		
Right-of-use assets	\$ (25,409)	-
Tangible and intangible assets	(786,857)	\$ (1,486,166)
Total deferred tax liabilities	\$ (812,266)	\$ (1,486,166)
Net deferred tax liability	\$ -	\$ (365,397)

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**LEGAL MATTERS**

Subsequent to December 31, 2019, on February 24, 2020, Michael J. Orlando, a former executive officer and director of the Company, as Shareholder Representative, and the other stockholders of Fit Pay (collectively, the "Fit Pay Shareholders"), filed a lawsuit in the United States District Court for the Southern District of New York against the Company, CrowdOut Capital, LLC, and Garmin International, Inc. (the "Complaint"). The Complaint alleges the Company has breached certain contractual obligations under a merger agreement, dated May 23, 2017, between Fit Pay and the Company (the "Merger Agreement"), regarding certain future, contingent earnout payments allegedly that could be owed to the Fit Pay Shareholders from future revenues (the "Earnout Payments"). The Company previously disclosed the Merger Agreement in a Current Report on Form 8-K filed with the Securities and Exchange Commission on May 30, 2017. The Complaint seeks monetary damages from the defendants. The Company believes that these claims are without merit and plans to vigorously defend the action.

From time to time the Company may be involved in various claims and legal actions arising in the ordinary course of its business. Other than the Complaint described above, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or governmental body pending or, to the knowledge of the executive officers of the company or any of its subsidiaries, threatened against or affecting the company, or any of its subsidiaries in which an adverse decision could have a material adverse effect upon its business, operating results, or financial condition.

**COMMITMENTS**

The Company leases office space and a fulfillment center in the U.S., which are classified as operating leases expiring at various dates. The Company determines if an arrangement qualifies as a lease at the lease inception. Operating lease liabilities are recorded based on the present value of the future lease payments over the lease term, assessed as of the commencement date. The Company's real estate leases, which are for office space and a fulfillment center, generally have a lease term between 3 and 5 years. The Company also leases a copier with a lease term of 5 years. The Company's leases are comprised of fixed lease payments and also include executory costs such as common area maintenance, as well as property insurance and property taxes. The Company has elected to account for the lease and non-lease components as a single lease component for its real estate leases. Lease payments, which may include lease components and non-lease components, are included in the measurement of the Company's lease liabilities to the extent that such payments are either fixed amounts or variable amounts based on a rate or index (fixed in substance) as stipulated in the lease contract. Any actual costs in excess of such amounts are expensed as incurred as variable lease cost.

**Nxt-ID, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The Company's lease agreements generally do not specify an implicit borrowing rate, and as such, the Company utilizes its incremental borrowing rate by lease term, in order to calculate the present value of the future lease payments. The discount rate represents a risk-adjusted rate on a secured basis, and is the rate at which the Company would borrow funds to satisfy the scheduled lease liability payment streams commensurate with the lease term. On January 1, 2019, the discount rate used on existing leases at adoption was determined based on the remaining lease term using available data as of that date. The Company did not have new or renewed leases commencing in 2019.

Certain of the Company's lease agreements, primarily related to real estate, include options for the Company to either renew (extend) or early terminate the lease. Leases with renewal options allow the Company to extend the lease term typically between 1 and 3 years. Renewal options are reviewed at lease commencement to determine if such options are reasonably certain of being exercised, which could impact the lease term. When determining if a renewal option is reasonably certain of being exercised, the Company considers several factors, including but not limited to, significance of leasehold improvements incurred on the property, whether the asset is difficult to replace, or specific characteristics unique to the particular lease that would make it reasonably certain that the Company would exercise such option. In most cases, the Company has concluded that renewal and early termination options are not reasonably certain of being exercised by the Company (and thus not included in the Company's ROU asset and lease liability) unless there is an economic, financial or business reason to do so.

For the year ended December 31, 2019, total operating lease cost was \$167,754 and is recorded in cost of sales and selling, general and administrative expenses, dependent on the nature of the leased asset. The operating lease cost is recognized on a straight-line basis over the lease term. The following summarizes (i) the future minimum undiscounted lease payments under non-cancelable lease for each of the next four years and thereafter, incorporating the practical expedient to account for lease and non-lease components as a single lease component for our existing real estate leases, (ii) a reconciliation of the undiscounted lease payments to the present value of the lease liabilities recognized, and (iii) the lease-related account balances on the Company's consolidated balance sheet, as of December 31, 2019:

Year Ending December 31,

2020	\$ 76,750
2021	18,186
2022	18,185
2023	12,124
Total future minimum lease payments	<u>\$ 125,245</u>
Less imputed interest	(15,204)
Total present value of future minimum lease payments	<u><u>\$ 110,041</u></u>

As of December 31, 2019

Operating lease right-of-use assets	\$ 108,508
Other accrued expenses	\$ 68,576
Other long-term liabilities	\$ 41,465
	<u><u>\$ 110,041</u></u>

As of December 31, 2019

Weighted Average Remaining Lease Term	1.2 years
Weighted Average Discount Rate	11.74%

Prior to January 1, 2019, the Company accounted for its leases in accordance with Topic 842, "Leases." At December 31, 2018, the Company was committed under operating leases for office space and a fulfillment center, which expired at various dates. As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and under previous lease accounting guidance, future minimum lease payments under non-cancelable operating leases as of December 31, 2018 totaled \$173,062, comprised of \$97,597 for 2019, \$70,309 for 2020, and \$5,156 for 2021.

*Coronavirus – COVID-19*

In early 2020, the coronavirus that causes COVID-19 was reported to have surfaced in China. The Company's primary supply chain is located in China and other Asian-based locations. To date, the Company's supply chain has not experienced any significant disruptions. The global spread of this virus has caused significant business disruption around the world including the United States, the primary area in which the Company operates and sells its products. The business disruption is currently expected to be temporary, however there is considerable uncertainty around the duration of the business disruption. Therefore, while the Company expects this matter to negatively impact the Company's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

**NOTE 11 - SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued.

On February 27, 2020, the Company issued 279,287 shares of its common stock to certain members of management under the Company's incentive plans.



**DESCRIPTION OF SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**As of December 31, 2019, Nxt-ID, Inc. (the “Company,” “we,” “us” or “our”) has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): our common stock, par value \$0.0001 per share (the “Common Stock”).**

**General**

*The following description of our capital stock and certain provisions of our Certificate of Incorporation and Bylaws are summaries and are qualified by reference to our Certificate of Incorporation and Bylaws. Copies of these documents can be accessed through hyperlinks to those documents in the list of exhibits in our Annual Report on Form 10-K for the fiscal year ending December 31, 2019.*

We are authorized to issue 110,000,000 shares of its capital stock consisting of (a) 100,000,000 shares of common stock and (b) 10,000,000 shares of “blank check” preferred stock, of which 3,125,000 shares of preferred stock were designated as the Series A Convertible Preferred Stock (“Series A Preferred Stock”), 4,500,000 shares of preferred stock were designated as the Series B Convertible Preferred Stock (“Series B Preferred Stock”), and 2,000 shares of preferred stock were designated as the Series C Non-Convertible Preferred Stock (“Series C Preferred Stock”).

**Common Stock**

Each share of common stock entitles the holder to one vote, either in person or by proxy, at meetings of stockholders. Our stockholders are not permitted to vote their shares cumulatively. Accordingly, the holders of our common stock who hold, in the aggregate, more than 50% of the total voting rights can elect all of our directors and, in such event, the holders of the remaining minority shares will not be able to elect any of such directors. The vote of the holders of a majority of the issued and outstanding shares of common stock entitled to vote thereon is sufficient to authorize, affirm, ratify or consent to such act or action, except as otherwise provided by law.

Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by our board of directors out of funds legally available. We have not paid any dividends since our inception, and we presently anticipate that all earnings, if any, will be retained for development of our business. Any future disposition of dividends will be at the discretion of our board of directors and will depend upon, among other things, our future earnings, operating and financial condition, capital requirements, and other factors.

Holders of our common stock have no preemptive rights or other subscription rights, conversion rights, redemption or sinking fund provisions. Upon our liquidation, dissolution or winding up, the holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities.

**Dividends**

Since inception we have not paid any dividends on our common stock. We currently do not anticipate paying any cash dividends in the foreseeable future on our common stock. Although we intend to retain our earnings, if any, to finance the exploration and growth of our business, our board of directors will have the discretion to declare and pay dividends in the future. Payment of dividends in the future will depend upon our earnings, capital requirements, and other factors, which our board of directors may deem relevant.

**Registration Rights**

None.

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## **Anti-Takeover Effects of Provisions of the DGCL and our Certificate of Incorporation and Bylaws**

Provisions of the DGCL and our Certificate of Incorporation and by-laws could make it more difficult to acquire us by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and takeover bids that our board of directors may consider inadequate and to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of our ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in improved terms for our stockholders.

*Section 203 of the DGCL.* We are subject to Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in any “business combination” with any interested stockholder for a period of three (3) years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an “interested stockholder” as an entity or person who, together with the person’s affiliates and associates, beneficially owns, or within three (3) years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

### **Listing**

Our common stock is listed on the Nasdaq Capital Market under the symbol NXTD.

### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is VStock Transfer, LLC. The transfer agent’s address is 18 Lafayette Place, Woodmere, NY 11598 and its telephone number is (212) 828-8436.

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**Company Subsidiaries**

3D-ID, LLC, a Florida limited liability company.

LogicMark, LLC, a Delaware limited liability company.

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Nxt-ID, Inc. on Forms S-3 [File Nos. 333-228624, 333-209001, 333-206955, 333-204026 and 333-203637] of our report dated March 30, 2020, with respect to our audits of the consolidated financial statements of Nxt-ID, Inc. as of December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018, which report is included in this Annual Report on Form 10-K of Nxt-ID, Inc. for the year ended December 31, 2019.

/s/ Marcum LLP

Marcum LLP

New York, NY

March 30, 2020

**CERTIFICATION  
OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Vincent S. Miceli, certify that:

1. I have reviewed this annual report on Form 10-K of Nxt-ID, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: March 30, 2020

By: /s/ Vincent S. Miceli  
Vincent S. Miceli  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION  
OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Vincent S. Miceli, certify that:

1. I have reviewed this annual report on Form 10-K of Nxt-ID, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: March 30, 2020

By: /s/ Vincent S. Miceli  
Vincent S. Miceli  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION  
OF PRINCIPAL EXECUTIVE OFFICER  
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 Annual Report of Nxt-ID, Inc. (the "Company") on Form 10-K for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vincent S. Miceli, Chief Executive Officer of Nxt-ID, Inc., certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: March 30, 2020

By: /s/ Vincent S. Miceli

Vincent S. Miceli  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION  
OF PRINCIPAL FINANCIAL OFFICER  
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 Annual Report of Nxt-ID, Inc. (the "Company") on Form 10-K for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vincent S. Miceli, Chief Financial Officer of Nxt-ID, Inc., certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: March 30, 2020

By: /s/ Vincent S. Miceli  
Vincent S. Miceli  
Chief Financial Officer  
(Principal Financial Officer)