

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2024

OR

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 000-21129

AWARE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Massachusetts

(State or Other Jurisdiction of
Incorporation or Organization)

04-2911026

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

76 Blanchard Road, Burlington, Massachusetts

(Address of Principal Executive Offices)

01803

(Zip Code)

(781) 687-0300

(Registrant's Telephone Number, Including Area Code)

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

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

Securities registered pursuant to Section 12(g) of the Act: **None**

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 Exchange 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 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
Non-accelerated filer

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of June 28, 2024, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based on the closing sale price as reported on the Nasdaq Global Market, was approximately \$22,599,369.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be delivered to shareholders in connection with the registrant's Annual Meeting of Shareholders to be held on June 11, 2025 are incorporated by reference into Part III of this Annual Report on Form 10-K.

AWARE, INC.
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2024

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ITEM 1. BUSINESS

Company Overview

Aware, Inc. (“Aware”, “we”, “us”, “our”, or the “Company”) is a leading, biometric identification company that validates and secures identities using proven and trusted biometrics. Aware’s software offerings address the growing challenges that government and commercial enterprises face in knowing, authenticating and securing individuals through frictionless and highly secure user experiences. Aware’s algorithms are based on diverse data sets from around the world and can be tailored to the unique security requirements of each customer. Our portfolio enables government agencies and commercial entities to enroll, identify, authenticate and enable using biometrics, which comprise physiological characteristics, such as fingerprints, faces, irises and voices.

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

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

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

Aware was incorporated in Massachusetts in 1986. We are headquartered at 76 Blanchard Road in Burlington, Massachusetts, and our telephone number at this address is (781) 687-0300. Our website address is www.aware.com. The information on our website is not part of this Form 10-K, unless expressly noted. Our stock is traded on the Nasdaq Global Market under the symbol AWRE.

Principal Products & Services

We sell a broad range of biometrics software products and solutions that perform functions to address our customers’ desired use cases where they are addressing improved security, data protection, compliance and improved ROI and efficiencies including:

1. Enrollment of their workforce for benefits and background checks
2. Enrollment of their customers for a better experience or improved customer service and security
3. Law enforcement processing and forensic analysis
4. Trusted remote enrollment where travel or direct contact is not viable
5. Trusted transactions and authentication that enable physical and logical access control

Our biometrics software solutions are built upon robust componentized products that are customer configurable to give them control so they can uniquely address their specific customers’ expectations. These solutions and services facilitate customers with an opportunity for a faster go-to-market process to help reduce their development times and exposure to software support and maintenance risks. Our solutions and services are described below.

Integrated Framework and Platform Solutions and Services

Knomi® Mobile Framework

The Knomi mobile biometric authentication framework is built on our hardened biometric SDK components, which are optimized to operate on mobile devices, and a server that together enable strong, multi-factor, password-free authentication from a mobile device using biometrics. Knomi offers multiple biometric modality options, including facial recognition, and voice authentication as means to enroll, onboard or authenticate. Knomi software components can be used in different combinations and configurations to enable either a server-centric architecture, a web-based or a device-centric implementation. Knomi has primarily been sold as a fixed term license that is priced on a subscription-based model and is also available as a perpetual license. Going forward we plan to transition the Knomi offering to within the AwareID offering.

AwareABIS™

AwareABIS is an automated biometric identification system ("ABIS") used for large-scale biometric identification and deduplication using fingerprint, face, and iris recognition. AwareABIS is a highly scalable platform that performs one-to-many ("1:N") search or one-to-one ("1:1") match against large stores of biometrics and other identity data. Utilizing distributed computing, AwareABIS also enables complex filtering, and linking operations critical to data preparation and quality assurance functions, such as identity resolution and data deduplication of massive biometric databases (tens of millions of records). The platform is built upon several mature, high-performance, field-proven applications and algorithms from Aware. AwareABIS has primarily been sold as a fixed term license that is priced based on the size of the biometric system or on a subscription-based model.

AFIX Suite of Products

Aware's AFIX suite of products is used for small-scale law enforcement focused biometric identification. AFIX Tracker™ supports fingerprint, palmprint and latent print identification, designed to serve between 15,000 and 2 million identities. AFIX Tracker has several function-specific variants: Entry Only (LE), Latent Workstation (LW), Remote Workstation (RW), Facial Recognition (FR), and View & Print (VP). In addition to AFIX Tracker we also sell and offer AFIX Face, AFIX Verifier, AFIX Identifier, AFIX Comparator, AFIX Engine, and ANTE (AFIX NIST Transaction Engine). AFIX Tracker is ideal for crime scene investigation applications in low to moderate sized community populations. The product provides minutiae-based search capability and can be configured as either a standalone system, or for use with centralized, server-based data stores. AFIX Tracker has primarily been sold as a perpetual license and is also available as a fixed term license that is priced on a subscription-based model or the size of the biometric system.

BioSP™ - Biometric Services Platform

BioSP is a biometric integration platform-as-a-service ("iPaaS") used to enable biometric data processing and management functionality in a web services architecture. It provides workflow, data management and formatting, and other important utilities for large-scale fingerprint recognition, face recognition, and iris recognition systems. BioSP is well suited for applications that require the collection of biometrics throughout a distributed network, and subsequent aggregation, analysis, processing, distribution, matching, and sharing of data with other system components. BioSP is modular, programmable, scalable, and secure, capable of managing all aspects of transaction workflow, including messaging, submissions, responses, and logging. BioSP has primarily been sold as a perpetual license and is also available as a fixed term license that is priced on users, transactions, or enterprise wide.

WebEnroll

WebEnroll is a browser-based biometric enrollment and data management solution available as an enhanced version of BioSP™ that utilizes BioComponents™ for capture of biographic data, fingerprints and facial images in a browser. Each BioComponent performs advanced biometric image autocapture as well as capture device hardware abstraction. Once images are captured, they are submitted to BioSP, where configurable workflows and modular software applications are used for processing, routing, and storage of each transaction. WebEnroll has primarily been sold as a perpetual license and is also available as a fixed term license that is priced on users, transactions, or enterprise wide.

AwareID™

AwareID™ is a Software-as-a-Service (SaaS) offering that provides advanced identity verification and continuous authentication capabilities. Its modular design ensures flexibility and extensibility across various industries. AwareID continues to leverage Knomi to provide biometric face and voice matching (1:1 and 1:N), liveness-verification (presentation attack detection), and document validation. The platform uses proprietary Adaptive Authentication technology in cloud-based bundles which can be pre-configured and/or configured by the customer to provide comprehensive authentication functionality with situational awareness for onboarding, access control/management, and authentication of transactions. These services can be used discretely to enhance investments already in place or combined to provide higher functionality. The AwareID solution is built on open architecture and interfaces to maximize interoperability and connection to other biometric and/or digital identity applications and platforms. AwareID is typically provided as a SaaS offering with usage-based or transaction-based pricing, however it is also available on-premises when leveraging Knomi SDKs.

Software products

We sell a broad range of software components, or “building blocks”, such as SDKs, APIs, and applications that customers use to streamline or develop their systems into more effective solutions. These building blocks enable important functions including:

1. Matching of biometric samples against biometric databases.
2. Enrollment, analysis, and processing of biometric images and identity data on workstations.
3. Image compression

BioComponents™ bundles our offerings as applications with a user interface. We also license our software unbundled as building blocks and have primarily sold these offerings as a perpetual license.

Historically, we sold our software products under perpetual or fixed-term licenses. With the introduction of AwareID, we have incorporated SaaS offerings into our product line-up. While we did not recognize material revenues from our SaaS offerings during 2024 and 2023, we continue to invest in and we expect SaaS to become a significant product offering moving forward.

Building Blocks: SDKs, APIs, Applications, and Subsystems

Biometric Search & Matching SDKs

Our SDKs consist of: i) multiple software libraries; ii) sample applications that show customers how to use the libraries; and iii) documentation. Customers use our SDKs to design and develop biometrics applications. Nexa™ is our line of biometric search and match SDKs, including Nexa|Fingerprint™, Nexa|Face™, Nexa|Iris™ and Nexa|Voice™. These products provide high-performance biometric algorithms for fingerprint, facial, iris and voice identification or authentication. The algorithms in these products convert images into biometric templates, which can then be compared to templates stored in databases to find matches.

In addition to the Nexa line, we also offer AwareXM™, an interoperable fingerprint matching SDK that provides MINEX-certified, INCITS 378-compliant fingerprint minutiae extraction, template generation, and fingerprint authentication.

Biometric Enrollment SDKs and APIs

Our suite of enrollment SDKs and APIs performs functions that are critical to biometric enrollment, including (i) image capture and hardware abstraction, (ii) image quality assurance, (iii) image compression, (iv) mobile enrollment, matching and liveness verification, and (v) fingerprint card processing.

Imaging products

In addition to our biometrics software products, we also sell products used in applications involving medical and advanced imaging. Our principal imaging product is Aware JPEG 2000, which is based on the JPEG2000 standard. The JPEG2000 standard is an image compression standard and coding system that was created by the Joint

Photographic Experts Group committee in 2000. Our JPEG2000 product is used to compress, store, and display images. Those images are typically medical images.

Software maintenance

We also provide and sell software maintenance to many of our customers who purchase our software products and solutions. Software maintenance has historically been made available by contracts that typically have a one-year term during which customers have the right to receive technical support and software updates for a fixed fee, if and when they become available. Software maintenance is also available as part of a subscription-based solution offering under which customers receive standard software maintenance plus access to upgrades and product enhancements.

Services

We provide a variety of program management and software engineering services, including: i) project planning and management; ii) system and architecture design; iii) software design, development, customization, configuration, and testing; and iv) software integration and installation. Services are sold in conjunction with our products and solutions and are provided for a fixed fee.

Service engagement deliverables may include: i) complete customer software solutions; ii) one or more subsystems comprised of software products that are integrated within a larger system; iii) custom-configured versions of existing software products; or iv) custom-designed software products. In some cases, the software resulting from service engagements may form the basis for new or improved Aware software solutions and/or products.

Our customers for services include: i) government agencies; ii) large multinational systems integrators; iii) smaller systems integrators with a particular market, technology or geographic focus; and iv) commercial partners or providers of products, solutions, and services for themselves or to their end customers. We provide services directly to end-users or indirectly to end-users through systems integrators or commercial entities or partners. When we provide services to systems integrators, they are often engaged with the end-user as a prime contractor and are responsible for delivery of a complete solution, in which case we typically serve as a subcontractor assigned a subset of the total scope of work.

The scope of our services projects varies. A small project might involve configuration and testing of a single software product, taking a small team one month or less. A large project might involve delivery of a more complex solution comprised of multiple products and subsystems, requiring a larger team to conduct program and project management, system design, software customization and integration, and taking up to one year or more. Some projects are followed by subsequent follow-on projects that serve to change or extend the features and functionality of the initial system.

Distribution Methods

We sell our solutions and services predominantly through three principal channels of distribution:

- i) Partner sales – This category includes resellers that market and sell Aware-branded solutions to end users. Additionally, this category includes system integrators, consulting partners, independent software vendors (ISVs), distributors, and managed service providers (MSPs) that market, sell, deploy, and support our solutions. It also includes referral partners who identify opportunities but do not resell or directly deliver solutions.
- ii) Direct channel – We sell directly to federal, state, and local government agencies, as well as large enterprise customers in both the public and commercial sectors.
- iii) OEM partnerships – System integrators, ISVs, MSPs, and hardware vendors that integrate our biometric components and SDKs into their platforms or applications, which are then sold independently.

Major Customers

All of our revenue in 2024 and 2023 was derived from unaffiliated customers. No customer represented 10% or more of total revenue in 2024, and one customer represented 18% of total revenue in 2023. As of December 31, 2024, two customers combined represented 34% of our net accounts receivable and unbilled receivables, and as of December 31, 2023, one customer represented 16% of our net accounts receivable and unbilled receivables.

Competitive Business Conditions

A significant number of established companies have developed or are developing and marketing software and hardware for biometrics products and applications that currently compete with or will compete directly with our offerings. We believe that additional competitors will enter the biometrics market and become significant long-term competitors, and that, as a result, competition will increase. Companies competing with us may introduce solutions that are competitively priced, have increased performance or functionality or incorporate technological advances we have not yet developed or implemented. Our current principal competitors include:

- Diversified technology providers that offer integrated biometrics solutions to governments, law enforcement agencies and other commercial organizations. This group of competitors includes companies such as Idemia, Thales, and NEC.
- Component providers that offer biometrics software and hardware components for fingerprint, facial, iris and voice biometric identification. This group of competitors includes companies such as FaceTec, iProov, and Innovatrics.

We expect competition to intensify in the near term in the biometrics market. Many current and potential competitors have substantially greater financial, marketing, and research resources than we have. Moreover, low-cost foreign competitors have demonstrated a willingness to sell their products at significantly reduced prices. To compete effectively in this environment, we must continually develop and market new and enhanced solutions and technologies at competitive prices, and must have the resources available to invest in significant research and development activities. Our failure to compete successfully could cause our revenues and market share to decline.

Intellectual Property

We rely on a combination of nondisclosure agreements and other contractual provisions, as well as patent, trademark, trade secret and copyright law to protect our proprietary rights. We have an active program to protect our proprietary technology through the filing of patents. As of December 31, 2024, we had 68 U.S. patents, 4 foreign patents and 7 pending patent applications. Our patents and patent applications pertain primarily to biometrics and imaging compression. We have let certain patents expire that are not aligned with our business and are not relevant to our current or future activities. Our patents have expiration dates ranging from 2026 to 2042.

Although we have patented certain aspects of our technology, we rely primarily on trade secrets to protect our intellectual property. We attempt to protect our trade secrets and other proprietary information through agreements with our customers, suppliers, employees and consultants, and through security measures. Each of our employees is required to sign a non-disclosure agreement. Although we intend to protect our rights vigorously, we cannot guarantee that these measures will be successful. In addition, effective intellectual property protection may be unavailable or limited in certain foreign countries.

Third parties may assert exclusive patent, copyright and other intellectual property rights to technologies that are important to us. We may receive claims from third parties suggesting that we may be obligated to license such intellectual property rights. If we were found to have infringed any third party's patents, we could be subject to substantial damages or an injunction preventing us from conducting our business.

Employees

As of December 31, 2024, we employed 64 people, all based in the U.S., including 33 in engineering and research, 20 in sales and marketing, and 11 in finance and administration. Of these employees, 47 were based in Massachusetts and 17 were based outside of Massachusetts. None of our employees are represented by a labor union. We consider our employee relations to be good.

We believe that our future success will depend in large part on the service of our technical, sales, marketing and senior management personnel and upon our ability to retain highly qualified technical, sales and marketing and managerial personnel. We cannot guarantee that we will be able to retain our key managers and employees or that we will be able to attract and retain additional highly qualified personnel in the future.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are made available free of charge on or through our website at www.aware.com as soon as reasonably practicable after such reports are filed with, or furnished to, the Securities and Exchange Commission (“the SEC”). The SEC also maintains a website, www.sec.gov, that contains reports and other information regarding issuers that file electronically with the SEC.

Copies of our (i) Corporate Governance Principles, (ii) charters for the Audit Committee, Compensation Committee, and Nominating Committee, and (iii) Code of Ethics are available in the Investor Relations section of our website at www.aware.com.

ITEM 1A. RISK FACTORS

Our operating results may fluctuate significantly from period-to-period and are difficult to predict.

Individual orders can represent a meaningful percentage of our revenues and operating results in any single period and the timing of the receipt of those orders is difficult to predict. The failure to close an order or the deferral or cancellation of an order can result in revenue and net income shortfalls for that quarter. We base our current and future expense levels on our internal operating plans and sales forecasts, and our operating costs are to a large extent fixed. As a result, we may not be able to sufficiently reduce our costs in any quarter to adequately compensate for an unexpected near-term shortfall in revenues, and even a small shortfall could disproportionately and adversely affect our financial results for that quarter.

Our financial results may be negatively affected by a number of factors as well, including the following:

- any lack or reduction of government funding and the political, budgetary and purchasing constraints of government customers who purchase products and services directly or indirectly from us;
- the terms of customer contracts that affect the timing of revenue recognition;
- the size and timing of our receipt of customer orders;
- significant fluctuations in demand for our products and services;
- any loss of a key customer or one of its key customers;
- new competitors entering our markets, or the introduction of enhanced solutions from new or existing competitors;
- competitive pressures on selling prices;
- any cancellations, or delays of orders or contract amendments by government customers;
- higher than expected costs, asset write-offs, and other one-time financial charges; and
- general economic trends and other factors.
- write-offs of investments in private companies;

As a result of these factors, we believe that period-to-period comparisons of our revenue levels and operating results are not necessarily meaningful. You should not rely on our quarterly or annual revenue and operating results to predict our future performance.

We derive a significant portion of our revenue directly or indirectly from government customers, and our business may be adversely affected by changes in the contracting or fiscal policies of those governmental entities.

We derive a significant portion of our revenue directly or indirectly from federal, international, state and local governments. We believe that the success and growth of our business will continue to depend on government customers purchasing our products and services either directly from us or indirectly through our channel partners.

Changes in government contracting policies or government budgetary constraints may adversely affect our financial performance. Among the factors that could adversely affect our business are:

- the impact of actions, such as those recently announced by the U.S. Department of Government Efficiency, intended to reduce the size of the federal government and federal spending,
- other changes in fiscal policies or decreases in available government funding,
- changes in government funding priorities;
- changes in government programs or applicable requirements;
- the adoption of new laws or regulations or changes to existing laws or regulations relating to the provision of biometrics services or the use of biometric data;
- changes in political or social attitudes with respect to security and defense issues;
- changes in audit policies and procedures of government entities;
- potential delays or changes in the government appropriations process; and
- delays in the payment of our invoices by government payment offices.

These and other factors could cause government customers or our channel partners to reduce purchases of products and services from us, which would have a material adverse effect on our business, financial condition and operating results.

We derive a significant portion of our revenue from third party channel partners.

Our future results depend upon the continued successful distribution of our products through a channel of systems integrators and OEM partners. Systems integrators, including VARs, use our software products as a component of the biometrics systems they deliver to their customers. OEMs embed our software products in their technology devices or software products. These channel partners typically sell their products and services to government customers.

Our failure to effectively manage our relationships with these third parties could impair the success of our sales, marketing and support activities. Moreover, the activities of these third parties are not within our direct control. The occurrence of any of the following events could have a material adverse effect on our business, financial condition and operating results:

- a reduction in sales efforts by our partners;
- the failure of our partners to win awards in which our products are used;
- a reduction in technical capabilities or financial viability of our partners;
- a misalignment of interest between us and any of our partners;
- the termination of our relationship with a major systems integrator or OEM; or
- any adverse effect on a partner's business related to competition, pricing or other factors.

A significant commercial market for biometrics technology may not develop, and, even if it does, there can be no assurance our biometrics technology will be successful.

A component of our strategy to grow our revenue includes expansion into commercial markets. To date, biometrics technology has received only limited acceptance and slow adoption in these markets. Although the recent appearance of biometric readers on popular consumer products, such as smartphones, has increased interest in biometrics as a means of authenticating and/or identifying individuals, commercial markets for biometrics technology are still developing and evolving. Biometrics-based solutions compete with more traditional security methods including keys, cards, personal identification numbers, passwords and security personnel. Acceptance of biometrics as an alternative to such traditional methods depends upon a number of factors including: i) the performance and reliability of biometric

solutions; ii) costs involved in adopting and integrating biometric solutions; iii) public concerns regarding privacy; and iv) potential privacy legislation.

For these reasons, we are uncertain whether there will be significant demand for biometrics technology from commercial markets. Moreover, even if there is significant demand, there can be no assurance that our biometrics products will achieve market acceptance.

If the biometrics market does not experience significant growth or if our products do not achieve broad acceptance both domestically and internationally, we may not be able to grow our business.

Our revenues are derived primarily from sales of biometrics products and services. Our expectations regarding the future growth rate or the size of the biometrics market may not be accurate. The expansion of the biometrics market and the market for our biometrics products and services depends on a number of factors, such as:

- the cost, performance and reliability of our products and services and the products and services offered by our competitors;
- the continued growth in demand for biometrics solutions within the government and law enforcement markets, as well as the development and growth of demand for biometric solutions in markets outside of government and law enforcement;
- customers' perceptions regarding the benefits of biometrics solutions;
- public perceptions regarding the intrusiveness of these solutions and the manner in which organizations use the biometric information collected;
- public perceptions regarding the confidentiality of private information;
- proposed or enacted legislation related to privacy of biometric information;
- customers' satisfaction with biometrics solutions; and
- marketing efforts and publicity regarding biometrics solutions.

Even if biometrics solutions gain wide market acceptance, our solutions may not adequately address market requirements and may not continue to gain market acceptance. If biometrics solutions generally or our solutions specifically do not gain wide market acceptance, we may not be able to achieve our anticipated level of growth and our revenues, and our results of operations would be adversely affected.

We face intense competition from other biometrics solutions providers.

A significant number of established companies have developed or are developing and marketing software and hardware for biometrics products and applications that currently compete with or will compete directly with our offerings. We believe that additional competitors will enter the biometrics market and become significant long-term competitors, and that, as a result, competition will increase. Companies competing with us may introduce solutions that are competitively priced, have increased performance or functionality or incorporate technological advances we have not yet developed or implemented. Our current principal competitors include:

- Diversified technology providers that offer integrated biometrics solutions to governments, law enforcement agencies and other organizations. This group of competitors includes companies such as Idemia, Thales, and NEC.
- Component providers that offer biometrics software and hardware components for fingerprint, facial, iris and voice biometric identification. This group of competitors includes companies such as FaceTec, iProov, and Innovatrics.

We expect competition to intensify in the near term in the biometrics market. Many current and potential competitors have substantially greater financial, marketing, and research resources than we have. Moreover, low-cost foreign competitors from developing economies and other countries have demonstrated a willingness to sell their products at significantly reduced prices. To compete effectively in this environment, we must continually develop and market new and enhanced solutions and technologies at competitive prices and must have the resources available to invest in significant research and development activities. Our failure to compete successfully could cause our revenues and market share to decline.

The biometrics industry is characterized by rapid technological change and evolving industry standards, which could render our existing products obsolete.

Our future success will depend upon our ability to develop and introduce a variety of new capabilities and enhancements to our existing products in order to address the changing and sophisticated needs of the marketplace. Frequently, technical development programs in the biometrics industry require assessments to be made of the future direction of technology, which is inherently difficult to predict. Delays in introducing new products and enhancements, the failure to choose correctly among technical alternatives or the failure to offer innovative products or enhancements at competitive prices may cause customers to forego purchases of our products and purchase our competitors' products. We may not have adequate resources available to us or may not adequately keep pace with appropriate requirements in order to effectively compete in the marketplace.

Our software products may have errors, defects or bugs, which could result in delayed or lost revenue, expensive correction, liability to our customers, and claims against us.

Despite testing, complex software products such as ours may contain errors, defects, or bugs, which may only be discovered after they have been installed and used by our customers. Defects in the products that we develop and sell to our customers could require expensive corrections and result in delayed or lost revenue, adverse customer reaction and negative publicity about us or our products and services. Customers who are not satisfied with any of our products may also bring claims against us for damages, which, even if unsuccessful, would likely be time-consuming to defend, and could result in costly litigation and payment of damages. Such claims could harm our reputation, financial results and competitive position.

Our business may be adversely affected by our use of open-source software.

The software industry is making increasing use of open-source software in the development of products. We also license and integrate certain open-source software components from third parties into our software. Open-source software license agreements may require that the software code in these components or the software into which they are integrated be freely accessible under open-source terms. Many features we may wish to add to our products in the future may be available as open-source software and our development team may wish to make use of this software to reduce development costs and speed up the development process. While we carefully monitor the use of all open-source software and try to ensure that no open-source software is used in such a way as to require us to disclose the source code to the related product, such use could inadvertently occur. If we were required to make our software freely available, our business could be seriously harmed.

We rely on third-party software to develop and provide our solutions and significant defects in third-party software could harm our business.

We rely on software licensed from third parties to develop and offer some of our solutions. In addition, we may need to obtain future licenses from third parties to use software or other intellectual property associated with our solutions. We cannot assure you that these licenses will be available to us on acceptable terms, without significant price increases or at all. Any loss of the right to use any such software or other intellectual property required for the development and maintenance of our solutions could result in delays in the provision of our solutions until equivalent technology is either developed by us or, if available from others, is identified, obtained, and integrated, which could harm our business. Any errors or defects in third-party software could result in errors or a failure of our solutions, which could harm our business.

We rely on third-party relationships.

We have a number of relationships with third parties that are significant to our sales, marketing, support, and product development efforts, including hosting facilities for our cloud-based services. We rely on software and hardware vendors, large system integrators, and technology consulting firms to supply marketing and sales opportunities for our direct sales force and to strengthen our offerings using industry-standard tools and utilities. We also have relationships with third parties that distribute our products. There can be no assurance that these companies, many of which have far greater financial and marketing resources than us, will not develop or market offerings that compete with ours in the future or will not otherwise end or limit their relationships with us. Further, the use of third-party hosting facilities requires us to rely on the functionality and availability of the third parties' services, as well as their data security, which despite our due diligence, may be or become inadequate.

Part of our future business is dependent on market demand for, and acceptance of, the cloud-based model for the use of software.

We expect to derive a growing percentage of our revenue from the sale of cloud-based services. As a result, widespread acceptance and use of the cloud-based business model is critical to our future growth and success. While cloud-based solutions are widely adopted across many software sub-sectors, certain industries, such as security and government, have been slower to transition due to concerns over data control, privacy, and regulatory compliance. Under the perpetual or fixed-term license model for software procurement, users typically run applications on their own infrastructure, maintaining direct control over their IT environment. Government agencies and security-conscious enterprises may be particularly resistant to shifting mission-critical applications and sensitive data to cloud-based environments due to stringent security requirements, compliance mandates, and perceived risks associated with third-party hosting. If the adoption of cloud-based solutions in these sectors grows more slowly than anticipated or fails to gain traction, demand for our services could be negatively affected, which may, in turn, impact our future growth.

Our operational systems, networks and products are subject to continually evolving cybersecurity or other technological risks, which could result in the disclosure of our or our customers' confidential information, damage to our reputation, additional costs, regulatory penalties and financial losses.

Our products, services and systems may be used in critical company, customer or third-party operations, or involve the storage, processing and transmission of sensitive data, including valuable intellectual property, other proprietary or confidential data, regulated data, and personal information of employees, customers and others. Successful breaches, employee malfeasance, or human or technological error could result in, for example, unauthorized access to, disclosure, modification, misuse, loss, or destruction of company, customer, or other third party data or systems; theft of sensitive, regulated, or confidential data including personal information and intellectual property; the loss of access to critical data or systems through ransomware, destructive attacks or other means; and business delays, service or system disruptions or denials of service.

If we or third parties with which we do business were to fall victim to successful cyber-attacks or experience other cybersecurity incidents, including the loss of individually identifiable customer or other sensitive data, we may incur substantial costs and suffer other negative consequences, which may include remediation costs, such as liability for stolen assets or information, repairs of system damage, and incentives to customers or business partners in an effort to maintain relationships after an attack as well as litigation and legal risks, including regulatory actions by state and federal regulators.

Our intellectual property is subject to limited protection.

Because we are a technology provider, our ability to protect our intellectual property and to operate without infringing the intellectual property rights of others is critical to our success. We regard our technology as proprietary. We rely on a combination of U.S. and worldwide patent, trade secret, copyright, and trademark law as well as confidentiality agreements to protect our proprietary technology. We cannot assure you that we will be able to enforce the patents we own against third parties. Some foreign countries do not currently provide effective legal protection for intellectual property and our ability to prevent the unauthorized use of our products in those countries is therefore limited. Despite our efforts, these measures can only provide limited protection. Unauthorized third parties may try to copy or reverse engineer portions of our products or otherwise obtain and use our intellectual property. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our technology, and our business would thus be harmed.

In the future, we may be involved in legal action to enforce our intellectual property rights relating to our patents, copyrights or trade secrets. Any such litigation could be costly and time-consuming for us, even if we were to prevail. Moreover, even if we are successful in protecting our proprietary information, our competitors may independently develop technologies substantially equivalent or superior to our technology. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property or otherwise gaining access to our technology. The misappropriation of our technology or the development of competitive technology could seriously harm our business.

We may be sued by third parties for alleged infringement of their proprietary rights.

We may be subject to claims that our technology and products infringe the intellectual property rights of others. A large and increasing number of participants in the technology industry, including companies known as non-practicing entities, have applied for or obtained patents. Some of these patent holders have demonstrated a readiness to commence

litigation based on allegations of patent infringement. Third parties have asserted against us in the past and may assert against us in the future patent, copyright and other intellectual property rights to technologies that are important to our business.

Intellectual property rights can be uncertain and involve complex legal and factual questions. Moreover, intellectual property claims, with or without merit, can be time-consuming and expensive to litigate or settle, and could divert management attention away from the execution of our business plan. If we were found to have infringed the proprietary rights of others, we could be subject to substantial damages or an injunction preventing us from conducting our business.

If we are unable to attract and retain key personnel, our business could be harmed.

If any of our key employees were to leave, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any successor obtains the necessary training and experience. Our employment relationships are at-will and we have had key employees leave in the past. We cannot assure you that one or more key employees will not leave in the future. We intend to continue to hire additional highly qualified personnel, including software engineers and sales personnel, but may not be able to attract, assimilate or retain qualified personnel in the future. Any failure to attract, integrate, motivate and retain these employees could harm our business.

Our business may be affected by government laws and regulations.

Extensive regulation under federal, state, and foreign law has adversely affected us and could further adversely affect us in ways that are difficult for us to predict. More specifically, we are subject to regulatory environment changes regarding privacy and data protection that could have a material impact on our results of operations. These regulatory changes may potentially involve new regulatory issues/requirements such as the EU General Data Protection Regulation (“GDPR”), the California Privacy Rights Act (“CPRA”) and other comprehensive state privacy laws, the Illinois Biometric Privacy Act, Texas Statute on the Capture or Use of Biometric Identifier, State of Washington H.B. 1493, Brazil’s General Data Protection Law (“LGPD”) and any other state, federal or foreign regulations governing the collection, use and storage of biometric data. The potential costs of compliance with or imposed by new/existing regulations and policies that are applicable to us, or fines and penalties to which we may become subject if we fail to comply with those regulations and policies, may affect the use of our products and services and could have a material adverse impact on our results of operations.

In addition, our business may also be adversely affected by: i) the imposition of tariffs, duties and other import restrictions on goods and services we purchase from non-domestic suppliers; ii) the imposition of tariffs, duties or other restrictions on the goods and services we provide outside of the United States; iii) the imposition of economic sanctions on existing or potential customers or suppliers, or iv) by the imposition of export restrictions on products we sell internationally. Changes in current or future laws or regulations, in the United States or elsewhere, could seriously harm our business.

Adverse economic conditions could harm our business.

Unfavorable changes in economic conditions, including recessions, inflation, turmoil in financial markets, changes caused by global crisis such as a pandemic, the ongoing conflict between Russia and Ukraine and resulting economic sanctions, conflicts in the Middle East, or other changes in economic conditions, could harm our business, results of operations, and financial conditions as a result of:

- reduced demand for our products;
- increased risk of order cancellations or delays;
- increased pressure on the prices for our products;
- greater difficulty in collecting accounts receivable;
- risks to our liquidity, including the possibility that we might not have access to our cash when needed; and
- rising interest rates, recessionary cycles, and inflationary pressures, that could make our products more expensive or could increase our costs.

- health epidemics, impacting the markets and communities in which we, our partners and clients operate.

We are unable to predict whether or when any such adverse economic conditions could occur in the U.S. or other countries; and if they do occur, we cannot predict the timing, duration, or severity.

We may not realize the anticipated benefits of our acquisitions or investments.

We may make acquisitions of or investments in companies that offer complementary products, services, and technologies, such as our acquisition of FortressID in December of 2021 and our investment in Omlis Limited. The ultimate success of our acquisitions depends, in part, on our ability to realize the anticipated synergies, cost savings and growth opportunities from integrating acquired businesses or assets into our existing businesses. However, the acquisition and successful integration of independent businesses or assets is a complex, costly and time-consuming process, and the benefits we realize may not exceed the costs of the acquisition. The risk and difficulties associated with acquiring and integrating companies and other assets include, among others, difficulties assimilating the operations and personnel of acquired companies, challenges in realizing the value of the acquired assets relative to the price paid, distraction of management from our ongoing businesses and potential product disruptions associated with the sale of the acquired company's products. These factors could have a material adverse effect on our business, financial condition, operating results and cash flows. Additionally, our acquisitions have provided, in the case of Fortress ID, and may in the future provide for future contingent acquisition payments, based on the achievement of performance targets or milestones. These arrangements can impact or restrict integration of acquired businesses and can result in disputes, including litigation. In addition, there is uncertainty regarding the realizability of investments in private companies, such as our investment in Omlis Limited that was written down to \$0 in 2023. Additionally, regardless of the form of consideration we pay, acquisitions and investments could negatively impact our operations and earnings per share.

We may have additional tax liabilities.

We are subject to income taxes in the United States and, in certain cases, in foreign jurisdictions. Significant judgments are required in determining our provisions for income taxes. In the course of preparing our tax provisions and returns, we must make calculations where the ultimate tax determination may be uncertain. Our tax returns are subject to examination by the Internal Revenue Service ("IRS") and state tax authorities. There can be no assurance as to the outcome of these examinations. If the ultimate determination of taxes owed—including income taxes, value-added tax ("VAT"), goods and services tax ("GST"), or other foreign tax obligations—exceeds amounts previously accrued, our operating results, cash flows, and financial condition could be adversely affected.

The market price of our common stock has been and may continue to be subject to wide fluctuations, and this may make it difficult for shareholders to resell the common stock when they want or at prices they find attractive.

The market price of our common stock, like that of other technology companies, is volatile and is subject to wide fluctuations in response to a variety of factors, including:

- variations in operating results;
- announcements of technological innovations or new products by us or our competitors,
- changes in customer relationships, such as the loss of a key customer;
- recruitment or departure of key personnel;
- trading volume of our common stock;
- price and volume fluctuation in the overall stock market;
- corporate actions we may initiate, such as acquisitions, stock sales or repurchases, dividend declarations, or corporate reorganizations.

Our stock price may also be affected by broader market trends unrelated to our performance. As a result, purchasers of our common stock may be unable at any given time to sell their shares at or above the price they paid for them. Moreover, companies that have experienced volatility in the market price of their stock often are subject to securities class action litigation. If we were the subject of such litigation, it could result in substantial costs and divert management's attention and resources.

If we are unable to maintain effective internal controls over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decline in the price of our common stock.

As a public company, we are required to enhance and test our financial, internal and management control systems to meet obligations imposed by the Sarbanes-Oxley Act of 2002. Consistent with the Sarbanes-Oxley Act and the rules and regulations of the SEC, management's assessment of our internal controls over financial reporting is required in connection with our filing of our Annual Report on Form 10-K. If we are unable to identify, implement and conclude that we have effective internal controls over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock. Our assessment of our internal controls over financial reporting may also uncover weaknesses or other issues with these controls that could also result in adverse investor reaction.

We must make judgments in the process of preparing our financial statements.

We prepare our financial statements in accordance with generally accepted accounting principles and certain critical accounting policies that are relevant to our business. The application of these principles and policies requires us to make significant judgments and estimates. The most significant estimates included in the financial statements pertain to revenue recognition, allowance for credit losses, valuation of acquired assets and assumed liabilities in business combinations, valuation of contingent acquisition payments, valuation of investment in note receivable, goodwill and long-lived asset impairment and valuation allowance for deferred income tax assets. Actual results could differ from those estimates. In the event that our judgments and estimates differ from actual results, we may have to change them, which could materially affect our financial position and results of operations.

Moreover, accounting standards have been subject to rapid change and evolving interpretations by accounting standards setting organizations over the past few years. The implementation of new accounting standards requires us to interpret and apply them appropriately. If our current interpretations or applications are later found to be incorrect, we may have to restate our financial statements and the price of our stock could decline.

Our officers, directors and holders of 5% of outstanding shares together beneficially own a significant portion of our common stock and, as a result, can exercise control over stockholder and corporate actions.

Our officers and directors and the holders of at least 5% of our outstanding shares currently beneficially own approximately 48% of our outstanding common stock, and 60% on a fully diluted basis assuming the exercise of both vested and unvested options. As such, they have a significant influence over most matters requiring approval by stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership may also have the effect of delaying or preventing a change in control, which in turn could have a material adverse effect on the market price of our common stock or prevent stockholders from realizing a premium over the market price for their shares.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

Cybersecurity Risk Management and Strategy

To help protect the Company from a major cybersecurity incident that could have a material impact on operations or the Company's financial results, the Company has implemented policies, programs and controls, including technology investments that focus on cybersecurity incident prevention, identification and mitigation. The steps the Company takes to reduce its vulnerability to cyberattacks and to mitigate impacts from cybersecurity incidents include, but are not limited to: establishing information security policies and standards, implementing information protection processes and technologies, monitoring its information technology systems for cybersecurity threats, assessing cybersecurity risk profiles of key third-parties, implementing cybersecurity training and collaborating with public and private organizations on cyber threat information and best practices.

The Company has implemented a Cybersecurity Policy (the "Policy") that provides a framework for responding to cybersecurity incidents. The Policy includes requirements for incident disclosure and reporting, protocols for incident

evaluation, including the use of third-party service providers and partners, and processes for notification and internal escalation of information to the Company's senior management, incident response team, and Board of Directors (the "Board") and appropriate Board committees. The Policy also addresses requirements for the Company's external reporting obligations. The Plan is reviewed and updated, as necessary but no less frequently than once a year, under the leadership of the Company's Chief Security Officer ("CSO").

Although the Company did not experience a material cybersecurity incident during the year ended December 31, 2024, the scope and impact of any future incident cannot be predicted. See "Item 1A. Risk Factors" for more information on the Company's cybersecurity-related risks.

Governance

The Board of Directors, primarily through its Audit Committee, oversees the Company's cybersecurity program. Management regularly reports to the Audit Committee on the current state of the Company's cybersecurity program, including the current threat landscape, cybersecurity risks, and any significant incidents. The Audit Committee may provide updates to the Board on the substance of these reports and any recommendations for improvements that the Audit Committee deems appropriate.

At the management level, the Company has established written policies and procedures to ensure that significant cybersecurity incidents are immediately investigated, addressed through the coordination of various internal departments, and publicly reported, to the extent required by applicable law.

ITEM 2. PROPERTIES

We lease approximately 20,730 rentable square feet in Burlington, Massachusetts, which we use as our headquarters. We believe that this facility is adequate for our current needs and for the foreseeable future. See Note 9 to our audited financial statements included elsewhere in this Annual Report on Form 10-K for more information regarding our leases.

ITEM 3. LEGAL PROCEEDINGS

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

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

Our common stock is the only class of stock we have outstanding, and it trades on the Nasdaq Global Market under the symbol AWRE.

As of March 1, 2025, we had 60 shareholders of record. This number does not include shareholders who hold our shares in a “nominee” or “street” name. We paid no dividends in 2024 or 2023. We anticipate that we will continue to reinvest any earnings to finance our future operations although we may also pay special cash dividends if our Board of Directors deems it appropriate.

Share repurchase activity during the three months ended December 31, 2024 was as follows:

Issuer Purchases of Equity Securities

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | (d) Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs |
|-----------------------------|--------------------------------------|----------------------------------|--|--|
| October 1 through 31, 2024 | — | \$ — | — | \$ 8,182,358 |
| November 1 through 30, 2024 | 80,093 | \$ 1.50 | 80,093 | \$ 8,062,219 |
| December 1 through 31, 2024 | 56,958 | \$ 1.53 | 56,958 | \$ 7,975,073 |
| Total | 137,051 | \$ 1.51 | 137,051 | |

- (1) All reported purchases were made pursuant to a repurchase plan announced by the Company on March 22, 2022 (the “2022 Repurchase Plan”). Pursuant to the 2022 Repurchase Plan, the Company was authorized to repurchase up to \$10,000,000 of its common stock from time to time through December 31, 2023. On November 30, 2023, we announced that our Board of Directors had approved the extension of the 2022 Repurchase Plan through December 31, 2025.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth, for the years indicated, certain line items from our consolidated statements of operations stated as a percentage of total revenue:

| | Year ended December 31, | |
|---|----------------------------|-------|
| | 2024 | 2023 |
| Revenue: | | |
| Software licenses | 44% | 52% |
| Software maintenance | 50 | 42 |
| Services and other | 6 | 6 |
| Total revenue | 100 | 100 |
| Costs and expenses: | | |
| Cost of services and other | 7 | 7 |
| Research and development | 45 | 50 |
| Selling and marketing | 44 | 43 |
| General and administrative | 37 | 36 |
| Loss on write-off of note receivable | - | 15 |
| Fair value adjustment to contingent acquisition payment | - | (4) |
| Total costs and expenses | 133 | 147 |
| Operating loss | (33) | (47) |
| Interest and other income | 7 | 7 |
| Loss before provision for income taxes | (26) | (40) |
| Provision for income taxes | 1 | - |
| Net loss | (25%) | (40%) |

Summary of Operations

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

Summary of Financial Results

We used revenue and operating loss to summarize financial results over the past two years as we believe these measurements are the most meaningful way to understand our operating performance.

2024 compared to 2023

Revenue and operating loss in 2024 were \$17.4 million and \$5.5 million, respectively, which compared to revenue and operating loss in 2023 of \$18.2 million and \$8.5 million, respectively.

Lower revenue in 2024 as compared to 2023 was primarily due to decreases in revenue from our perpetual software licenses of \$1.2 million and software subscriptions of \$0.7 million, which were partially offset by an increase in revenue from software maintenance of \$0.9 million. Lower operating loss in 2024 as compared to 2023 was primarily due to a negative adjustment of \$2.7 million to a note receivable in 2023 that did not recur in 2024 and a year-over-year

decrease in research and development expense of \$1.4 million, which were partially offset by decreased revenue of \$0.9 million and the impact of a 2023 fair value adjustment to contingent consideration of \$0.8 million that did not recur in 2024.

Software License Revenue

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

Software license revenue decreased 18% from \$9.5 million in 2023 to \$7.8 million in 2024. As a percentage of total revenue, software license revenue decreased from 52% in 2023 to 45% in 2024. The \$1.7 million decrease in software license revenue was primarily due to a decrease in perpetual licenses sales, which can fluctuate from period to period. With the introduction of AwareID, we have incorporated SaaS offering into our product line-up. For the year ended December 31, 2024 we generated \$0.1 million of revenue from SaaS contracts compared to a de minimis amount for the year ended December 31, 2023. We expect SaaS revenue to continue to grow as a component of software license revenue going forward.

Software Maintenance Revenue

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

Software maintenance revenue increased 12% from \$7.7 million in 2023 to \$8.6 million in 2024. As a percentage of total revenue, software maintenance revenue increased from 42% in 2023 to 49% in 2024. The dollar increase in software maintenance revenue was primarily due to software maintenance related to perpetual license sales during the second half of 2023 as well as for the year ended December 31, 2024.

A majority of our customers purchase software maintenance contracts when they initially purchase software licenses. Since our software is used in active biometrics systems, many of our customers continue to renew their maintenance contracts in subsequent years while systems remain operational.

Services and Other Revenue

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

Services and other revenue was \$1.0 million for the years ended December 2024 and 2023. As a percentage of total revenue, services and other revenue was 6% in each of 2024 and 2023.

Cost of Services and Other Revenue

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

Cost of services and other revenue decreased 11% from \$1.3 million in 2023 to \$1.1 million in 2024. When compared to services and other revenue, cost of services and other revenue as a percentage decreased from 122% in 2023 to 110% in 2024, which resulted in reduced gross margin loss from 22% in 2023 to 10% gross margin loss in 2024. The change in cost of services gross margin loss was primarily due to the profitability mix of customer projects.

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

Research and Development Expense

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

The classification of total engineering costs to research and development expense and cost of services for the years ended December 31, 2024 and 2023 was (in thousands):

| | Years ended December 31, | |
|----------------------------------|-----------------------------|------------------|
| | 2024 | 2023 |
| Research and development expense | \$ 7,757 | \$ 9,124 |
| Cost of services and other | 1,132 | 1,273 |
| Total engineering costs | <u>\$ 8,889</u> | <u>\$ 10,397</u> |

Total engineering costs decreased 15% from \$10.4 million in 2023 to \$8.9 million in 2024. As a percentage of total revenue, total engineering costs decreased from 57% in 2023 to 51% in 2024.

Our engineering headcount decreased from 42 in 2023 to 33 in 2024. The decrease in engineering costs is primarily a result of reducing our engineering headcount by approximately 10% in 2023 and 20% in 2024. The reduction was driven by strategic initiatives to optimize resources, improve operational efficiency, and align our engineering capabilities with current business priorities. We believe our current engineering organization is adequately staffed to support our product roadmap, customer commitments, and innovation efforts.

As we described in the Part I—Business of this Form 10-K, we intend to introduce new products that will allow us to offer more complete biometrics solutions. We believe this strategy will allow us to sell more software into biometrics systems projects in order to grow our revenue. Our preference is to develop such products internally, however to the extent we are unable to do that, we may purchase or license technologies from third parties. We anticipate that we will continue to focus our future research and development activities on enhancing existing products and developing new products. We expect research and development expenses to decrease in absolute dollars and as a percentage of revenues in the next year and then to increase in absolute dollars in proceeding years.

Selling and Marketing Expense

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

Selling and marketing expense decreased 3% from \$8.0 million in 2023 to \$7.7 million in 2024. As a percentage of total revenue, selling and marketing expense was 44% in both 2024 and 2023. The dollar decrease in selling and marketing expense was primarily due to decreased bonus and commission expense of \$0.2 million as a result of decreased revenue. We expect to be strategic in expanding our sales and marketing force to pursue future opportunities.

General and Administrative Expense

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

General and administrative expense decreased 3% from \$6.5 million in 2023 to \$6.4 million in 2024. As a percentage of total revenue, general and administrative expense increased from 36% in 2023 to 37% in 2024. While we expect general and administrative expenses to increase in absolute terms as we continue to invest in our business, the trajectory of these costs as a percentage of total revenue will depend on revenue growth. Future trends will be influenced by our ability to scale operations efficiently and drive revenue expansion.

Fair value adjustment to note receivable

In March 2022, we entered into a subscription agreement with Omlis Limited, a limited company incorporated and registered in England and Wales and the parent of MIRACL (“Omlis”). We purchased \$2.5 million of Omlis’ Note Receivable (“Note”) that accrues interest at 5% annually with a maturity date of March 11, 2026.

We recorded the fair value of the Note as \$0 as of both December 31, 2024 and 2023 as a result of our evaluation of the impact of Omlis's liquidity issues on the collectability of the Note. In addition, in January 2024, Omlis and MIRACL petitioned to enter the United Kingdom administration process, which remains ongoing, adding to our unlikely recoverability of the Note's carrying value.

Fair value adjustment to contingent acquisition payment

In December 2021, we acquired 100% of the outstanding shares and acquired all of the assets and liabilities of FortressID for a purchase price of \$3.4 million, which consisted of \$2.5 million of cash consideration and contingent acquisition payments which was fair valued at \$0.9 million at the acquisition date. The maximum contingent acquisition payments at the time of the acquisition were \$4.0 million, which consisted of a cash payment of up to \$2.0 million for the achievement of set revenue targets in 2022 and an additional \$2.0 million cash payment for the achievement of set revenue targets in 2023. No revenue targets were achieved and the earnout period was closed as of December 31, 2023. We recorded a fair value adjustment of \$0.8 million to contingent acquisition payment for the year ended December 31, 2023.

Interest Income

Interest income decreased from \$1.3 million in 2023 to \$1.2 million in 2024. The dollar decrease in interest income was primarily due to lower interest rates within our money market accounts.

Income Taxes

We are subject to income taxes in the United States, and we use estimates in determining our provisions for income taxes. We account for income taxes using the asset and liability method for accounting and reporting income taxes. Deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates.

Total income tax expense for the years ended December 31, 2024 and 2023 was \$65 thousand and \$59 thousand, respectively. The income tax expense for both years relates to limitations on the usage of net operating loss carryforwards generated in years beginning after December 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

In recent years, we have financed the company with our cash and cash equivalent balances. Cash flows from operating, investing and financing activities are described below.

Cash flows from operating activities

A discussion of cash flow from operating activities for each of the last two years is as follows:

Year ended December 31, 2024. Cash used in operating activities was \$3.2 million in 2024, which was primarily the result of a \$4.4 million net loss and \$0.6 million of working capital adjustments, which was partially offset by \$0.6 million of depreciation and amortization expense and \$1.1 million of non-cash stock-based compensation.

Year ended December 31, 2023. Cash provided by operating activities was \$1.8 million in 2023. Cash provided by operations was primarily the result of a \$2.4 million decrease in unbilled and accounts receivables, a \$1.8 million increase in deferred revenue, add back of \$1.5 million of non-cash stock-based compensation, \$2.7 million write-off of Note, and \$1.4 million related to a tax refund received as a result of our federal income tax carryback claim, which was partially offset by our \$7.3 million net loss and a \$0.8 million change in the fair value of contingent acquisition payments.

Cash flows from investing activities

A discussion of cash flow from investing activities for each of the last two years is as follows:

Year ended December 31, 2024. Investing activity provided \$6.3 million of cash, primarily as the result of net sales of marketable securities.

Year ended December 31, 2023. Investing activity used of \$3.1 million of cash, primarily as the result of net purchases of marketable securities.

Cash flows from financing activities

A discussion of cash flow from financing activities for each of the last two years is as follows:

Year ended December 31, 2024. Financing activity cash used of \$0.2 million was primarily the result of \$0.2 million used to buy back stock under our stock repurchase program, which was partially offset by \$0.1 million of proceeds from the issuance of common stock from stock grants.

Year ended December 31, 2023. Financing activity cash used of \$0.4 million was primarily the result of \$0.5 million used to buy back stock under our stock repurchase program, which was partially offset by \$0.1 million of proceeds from the issuance of common stock from stock grants.

At December 31, 2024, we had cash, cash equivalents, and marketable securities of \$27.8 million. While we cannot assure you that we will not require additional financing, or that if needed such financing will be available to us, we believe that our cash, cash equivalents, and marketable securities will be sufficient to fund our operations for at least the next twelve months from the filing date of this Annual Report on Form 10-K and to meet our known long-term cash requirements including operating expenses, contractual obligations, and planned strategic investments. Whether these resources are adequate to meet our liquidity needs beyond that period will depend on our future growth, operating results, and the investments needed to support our operations. If we require additional capital resources, we may utilize available funds or seek additional external financing.

As of December 31, 2024, our material cash requirements from known contractual and other obligations consisted of payments under the operating lease for our corporate headquarters, which we estimate will be approximately \$0.7 million in each of 2025, 2026, and 2027, approximately \$0.8 million in 2028 and 2029, and \$2.7 million thereafter. See Note 9 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information on our operating lease.

We enter into agreements in the ordinary course of business that require us: i) to perform under the terms of the contracts, ii) to protect the confidentiality of our customers' intellectual property, and iii) to indemnify customers, including indemnification against third party claims alleging infringement of intellectual property rights. We also have agreements with each of our directors and executive officers to indemnify such directors or executive officers, to the extent legally permissible, against all liabilities reasonably incurred in connection with any action in which such individual may be involved by reason of such individual being or having been a director or officer of the Company.

Given the nature of the above obligations and agreements, we are unable to make a reasonable estimate of the maximum potential amount that we could be required to pay. Historically, we have not made any significant payments on the above guarantees and indemnifications and no amount has been accrued in the audited financial statements included elsewhere in this Annual Report on Form 10-K with respect to these guarantees and indemnifications.

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

OFF-BALANCE SHEET ARRANGEMENTS

We do not currently have any arrangements with unconsolidated entities, such as entities often referred to as structured finance, special purpose entities, or variable interest entities which are often established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Accordingly, we are not exposed to any financing, liquidity, market or credit risk.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are discussed in Note 2, Summary of Significant Accounting Policies, to our financial statements, included elsewhere in this Annual Report. *We have identified the following as our significant accounting policies and estimates, which are defined as those that are reflective of significant judgments and uncertainties, are the most pervasive and important to the presentation of our financial condition and results of operations and could potentially result in materially different results under different assumptions, judgments or conditions.*

Revenue recognition. In accordance with Accounting Standards Codification (“ASC”), Topic 606, Revenue from Contracts with Customers (“ASC 606”), revenue is recognized when a customer obtains control of promised goods and services. The amount of revenue recognized reflects the consideration to which we expect to be entitled to receive in exchange for these goods and services. In addition, ASC 606 requires disclosures of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The core principle of the standard is that we should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. To achieve that core principle, we apply the following five step model:

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

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

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

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

When subscription-based software is sold, the software license and software maintenance are generally considered distinct performance obligations. The transaction price is allocated to the software license and the software maintenance based on relative SSP. We sell our software subscription license for a fixed fee or a subscription-based royalty fee, sometimes subject to a minimum guarantee. When the amount is in the form of a fixed fee, including the guaranteed minimum usage-based royalty, revenue allocated to the software license is recognized at a point in time upon delivery, provided all other revenue recognition criteria are met. Any royalties not subject to the guaranteed

minimum or earned in excess of the minimum amount are recognized as revenue when the subsequent usage occurs. Revenue allocated to the software maintenance is recognized over the contract term.

Also, with the delivery of our current products in a hosted environment with AwareID, we recognize revenue from our SaaS arrangements ratably over the subscription period.

Our arrangements can include variable fees, such as the option to purchase additional usage of a previously delivered software license. We may also provide pricing concessions to clients, a business practice that also gives rise to variable fees in contracts. For variable fees arising from the client's purchase of additional usage of a previously delivered software license, we apply the sales and usage-based royalties guidance related to a license of intellectual property and recognizes the revenue in the period the underlying sale or usage occurs. We include variable fees in the determination of total transaction price if it is not probable that a future significant reversal of revenue will occur. We use the expected value or most likely value amount, whichever is more appropriate for specific circumstances, to estimate variable consideration, and the estimates are based on the level of historical price concessions offered to clients.

The amount of consideration is not adjusted for a significant financing component if the time between payment and the transfer of the related good or service is expected to be one year or less under the practical expedient in ASC 606-10-32-18. Our revenue arrangements are typically accounted for under such expedient, as payment is typically due within 30 to 60 days. As of December 31, 2024 and 2023, none of our contracts contained a significant financing component.

Goodwill and intangible assets impairment. Our goodwill and intangible assets result from our previous business acquisitions. Goodwill and intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually or as circumstances indicate their value may no longer be recoverable. We do not carry any intangible assets with indefinite useful lives other than goodwill. We perform our annual goodwill impairment test in the fourth quarter. To assess if goodwill is impaired, we first review qualitative factors to determine whether further impairment testing is necessary. If based on the qualitative assessment, we consider it more-likely-than-not that our reporting units fair value is less than its carrying amount, we perform a quantitative impairment test. An excess of carrying value over fair value would indicate that goodwill may be impaired.

We periodically reevaluate our business and have determined that we have one operating segment and one reporting unit. If our assumptions change in the future, we may be required to record impairment charges to reduce our goodwill carrying value.

If indicators of impairment are present, we compare the estimated undiscounted cash flows that the asset is expected to generate to the carrying value. The key assumptions of the cash flow model involve significant subjectivity. If such assets are impaired, an impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

As of December 31, 2024 and 2023, we had \$3.1 million of goodwill. As of December 31, 2024 and 2023, we had \$2.0 million and \$2.4 million of intangible assets, respectively. Impairment in the valuation of long-lived assets could materially impact our operating results and financial position. To date, there have been no impairments of goodwill or intangible assets.

Stock-Based Compensation. We grant stock and stock options to our employees and directors. We measure stock-based compensation cost at the grant date based on the fair value of the award and recognize it as expense over the applicable vesting period of the award on a straight-line basis.

For stock awards, we determine the fair value of the award by using the fair market value of our stock on the date of grant; provided the number of shares in the grant is fixed on the grant date.

For stock options, we use the Black-Scholes valuation model to estimate fair value. This model considers both observable inputs and assumptions. Observable inputs include the exercise price of the award and the risk-free interest rate over the expected term. Assumptions used in the valuation include the expected term of the option, the expected volatility of our stock over the expected term, and our expected annual dividend yield.

Income taxes. As part of the process of preparing our consolidated financial statements we are required to estimate our actual current tax expense. We must also estimate temporary and permanent differences that result from differing treatment of certain items for tax and accounting purposes. These differences result in deferred tax assets and

liabilities, which are included in our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe recovery is not likely, we must establish a valuation allowance.

The Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was signed into law on March 27, 2020. The Act contained specific relief and stimulus measures including allowing net operating losses originating in 2018 through 2020 to be carried back five years to offset taxable income in the carryback period.

Management judgment is required in determining our provision for income taxes, our deferred tax assets, and any valuation allowance recorded against our net deferred tax assets. Our deferred tax assets primarily relate to: i) research and development tax credit carryforwards; ii) net operating loss carryforwards; and iii) temporary differences that result from differing treatment of certain items for tax and accounting purposes. As of December 31, 2024, we had a total of \$13.7 million of deferred tax assets and \$0.5 million of deferred tax liabilities for which we have recorded a \$13.2 million valuation allowance. As of December 31, 2023, we had a total of \$13.0 million of deferred tax assets and \$0.5 million of deferred tax liabilities for which we have recorded a \$12.5 million valuation allowance.

We will continue to assess the level of valuation allowance required in future periods. Should evidence regarding the realizability of tax assets change at a future point in time, the valuation allowance will be adjusted accordingly.

Allowance for credit losses. We make judgments as to our ability to collect outstanding and unbilled receivables to reflect any estimated credit losses. The allowance is evaluated each quarter on a customer by customer basis and considers historical write-off experience with each customer, the number of days that any delinquent invoices are past due, and an evaluation of the potential risk of loss associated with any delinquent accounts. If the judgments we make to determine the allowance for credit losses do not reflect the future ability to collect outstanding receivables, additional provisions for credit losses may be required.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements. In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires retrospective disclosure of significant segment expenses and other segment items on an annual and interim basis. Additionally, it requires disclosure of the title and position of the Chief Operating Decision Maker (“CODM”). This ASU is effective for the Company’s fiscal December 31, 2024 year-end and interim periods beginning in fiscal 2025, with early adoption permitted. The Company adopted this standard as of January 1, 2024 and the adoption did not have a material impact on the Company’s consolidated financial statements.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Aware, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Aware, Inc. and its subsidiaries (the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the years then ended, and the related notes to the consolidated financial statements (collectively, 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, 2024 and 2023, and the results of its operations and its cash flows for each of the years then ended, 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 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 audit 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.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) related to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition

As described in Note 2 to the financial statements, the Company recognizes revenue when a customer obtains control of promised goods and services. The amount of revenue recognized reflects the consideration which the Company expects to be entitled to receive in exchange for these goods and services. The Company offers customers the ability to purchase combinations of software licenses, software maintenance, and related professional services together in one arrangement. The Company must determine which promises are distinct performance obligations and allocate the revenue to the performance obligations that are considered distinct based upon their relative Stand-alone Selling Price (SSP). Revenue allocated to software licenses is typically recognized at a point in time upon delivery and revenue allocated to the software maintenance and professional services is recognized over time, provided all other revenue recognition criteria are met. Management applies significant judgment in determining the revenue recognition for these contracts including the identification of and accounting for all performance obligations and the

calculation of the SSP for each identified performance obligation. The Company's identification of performance obligations and estimate of SSP for each performance obligation identified within these customer contracts requires management to consider many factors, including:

- Determination of whether products and services are considered distinct performance obligations that should be accounted for separately versus together, such as software maintenance or professional services that are sold with software licenses.
- Determination of stand-alone selling prices for each distinct performance obligation.

Given these factors, the related audit effort in evaluating management's judgments in identifying performance obligations and estimating SSP's for these customer agreements was extensive and required a high degree of auditor judgment.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our procedures related to the Company's identification of performance obligations and estimation of SSP's for these customer agreements included, among others:

- We evaluated management's significant accounting policies related to these customer agreements for reasonableness.
- We obtained and read revenue contracts and evaluated the completeness of the performance obligations identified by management, and performed an evaluation of whether these performance obligations were distinct and capable of being distinct.
- We tested management's process used to determine the SSP's by evaluating the models, including testing the accuracy and completeness of data used, and reasonableness of assumptions applied by management.
- For each contract with multiple performance obligations, we also tested the allocation of the transaction price to each performance obligation based upon the SSP.

/s/ RSM US LLP

We have served as the Company's auditor since 2012.

Boston, Massachusetts
March 13, 2025

AWARE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

| | December 31, | |
|--|--------------|-----------|
| | 2024 | 2023 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 12,972 | \$ 10,002 |
| Marketable securities | 14,842 | 20,913 |
| Accounts receivable, net | 2,922 | 2,454 |
| Unbilled receivables, net | 1,080 | 1,401 |
| Prepaid expenses and other current assets | 1,169 | 1,054 |
| Total current assets | 32,985 | 35,824 |
| Property and equipment, net | 477 | 579 |
| Intangible assets, net | 1,976 | 2,391 |
| Goodwill | 3,120 | 3,120 |
| Right of use asset, net | 3,964 | 4,260 |
| Other long-term assets | 122 | 122 |
| Total assets | \$ 42,644 | \$ 46,296 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 894 | \$ 280 |
| Accrued expenses | 1,447 | 1,706 |
| Current portion of operating lease liabilities | 656 | 637 |
| Deferred revenue | 4,867 | 4,926 |
| Total current liabilities | 7,864 | 7,549 |
| Long-term deferred revenue | 296 | 611 |
| Long-term operating lease liabilities | 3,588 | 3,838 |
| Total long-term liabilities | 3,884 | 4,449 |
| Commitments and contingent liabilities (Note 10) | | |
| Stockholders' equity: | | |
| Preferred stock, \$1.00 par value; 1,000,000 shares authorized, none outstanding | — | — |
| Common stock, \$.01 par value; 70,000,000 shares authorized; 21,096,580 and 21,018,162 shares issued and outstanding as of December 31, 2024 and 2023, respectively | 211 | 210 |
| Additional paid-in capital | 100,377 | 99,405 |
| Accumulated deficit | (69,943) | (65,512) |
| Accumulated other comprehensive income | 251 | 195 |
| Total stockholders' equity | 30,896 | 34,298 |
| Total liabilities and stockholders' equity | \$ 42,644 | \$ 46,296 |

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

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

| | Year ended December 31, | |
|---|--------------------------------|-------------------|
| | 2024 | 2023 |
| Revenue: | | |
| Software licenses | \$ 7,779 | \$ 9,529 |
| Software maintenance | 8,577 | 7,674 |
| Services and other | 1,033 | 1,041 |
| Total revenue | 17,389 | 18,244 |
| Costs and expenses: | | |
| Cost of services and other | 1,132 | 1,273 |
| Research and development | 7,757 | 9,124 |
| Selling and marketing | 7,678 | 7,955 |
| General and administrative | 6,367 | 6,549 |
| Loss on write-off of note receivable | — | 2,695 |
| Fair value adjustment to contingent acquisition payment | — | (812) |
| Total costs and expenses | 22,934 | 26,784 |
| Operating loss | (5,545) | (8,540) |
| Interest and other income | 1,167 | 1,285 |
| Loss before provision for income taxes | (4,378) | (7,255) |
| Provision for income taxes | 53 | 59 |
| Net loss | \$ (4,431) | \$ (7,314) |
| Other comprehensive (loss) income | | |
| Unrealized gain on available for sale securities | 56 | 305 |
| Comprehensive loss | \$ (4,375) | \$ (7,009) |
| Net loss per share – basic | \$ (0.21) | \$ (0.35) |
| Net loss per share – diluted | \$ (0.21) | \$ (0.35) |
| Weighted-average shares – basic | 21,139 | 21,013 |
| Weighted-average shares – diluted | 21,139 | 21,013 |

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

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

| | Year ended December 31, | |
|---|--------------------------------|------------------|
| | 2024 | 2023 |
| Cash flows from operating activities: | | |
| Net loss | \$ (4,431) | \$ (7,314) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 562 | 578 |
| Stock-based compensation | 1,132 | 1,525 |
| Interest receivable | - | (93) |
| Non-cash lease expense | 66 | 237 |
| Loss on write-off of note receivable | - | 2,695 |
| Change in fair value of contingent acquisition payments | - | (812) |
| Credit losses (recoveries) | 74 | (15) |
| Increase (decrease) from changes in assets and liabilities: | | |
| Accounts receivable | (542) | 648 |
| Unbilled receivables | 321 | 1,758 |
| Prepaid expenses and other current assets | (253) | (613) |
| Tax receivable | (68) | 1,361 |
| Accounts payable | 614 | (359) |
| Accrued expenses | (261) | 422 |
| Deferred revenue | (375) | 1,805 |
| Net cash (used in) provided by operating activities | <u>(3,161)</u> | <u>1,823</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (45) | (16) |
| Purchases of marketable securities | (5,139) | (9,128) |
| Sale of marketable securities | 11,474 | 6,000 |
| Net cash provided by (used in) investing activities | <u>6,290</u> | <u>(3,144)</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuance of unrestricted stock | 74 | 96 |
| Payments made for taxes of employees who surrendered shares related to unrestricted stock | (26) | (16) |
| Repurchase of common stock | (207) | (506) |
| Net cash used in financing activities | <u>(159)</u> | <u>(426)</u> |
| Increase (decrease) in cash and cash equivalents | 2,970 | (1,747) |
| Cash and cash equivalents, beginning of year | 10,002 | 11,749 |
| Cash and cash equivalents, end of year | <u>\$ 12,972</u> | <u>\$ 10,002</u> |
| Supplemental disclosure: | | |
| Cash paid for income taxes | <u>\$ 172</u> | <u>\$ 136</u> |

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

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

| | Common Stock | | Additional Paid-In Capital | Accumulat ed Deficit | Accumulat ed Other Comprehe nsive Income (Loss) | Total Stockholde rs' Equity |
|---|--------------|--------|----------------------------------|----------------------------|--|--------------------------------------|
| | Shares | Amount | | | | |
| Balance at December 31, 2022 | 21,093 | \$ 211 | \$ 98,306 | \$ (58,198) | \$ (110) | \$ 40,209 |
| Issuance of unrestricted stock | 164 | 2 | (3) | — | — | (1) |
| Shares surrendered by employees to pay taxes related to unrestricted stock | (9) | — | (16) | — | — | (16) |
| Issuance of common stock under employee stock purchase plan | 70 | 1 | 95 | — | — | 96 |
| Stock-based compensation expense | — | — | 1,525 | — | — | 1,525 |
| Repurchase of common stock | (300) | (4) | (502) | — | — | (506) |
| Other comprehensive income | — | — | — | — | 305 | 305 |
| Net loss | — | — | — | (7,314) | — | (7,314) |
| Balance at December 31, 2023 | 21,018 | 210 | 99,405 | (65,512) | 195 | 34,298 |
| Issuance of unrestricted stock | 174 | 2 | (2) | — | — | — |
| Shares surrendered by employees to pay taxes related to unrestricted stock | (11) | (1) | (25) | — | — | (26) |
| Issuance of common stock under employee stock purchase plan | 53 | 1 | 73 | — | — | 74 |
| Stock-based compensation expense | — | — | 1,132 | — | — | 1,132 |
| Repurchase of common stock | (137) | (1) | (206) | — | — | (207) |
| Other comprehensive income | — | — | — | — | 56 | 56 |
| Net loss | — | — | — | (4,431) | — | (4,431) |
| Balance at December 31, 2024 | 21,097 | \$ 211 | \$ 100,377 | \$ (69,943) | \$ 251 | \$ 30,896 |

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

1 NATURE OF BUSINESS

We are a leading biometric identity platform company that validates and secures identities using proven and trusted biometrics solutions. Our portfolio enables government agencies and commercial entities to enroll, identify authenticate and enable using biometrics, which comprise physiological characteristics, such as fingerprints, faces, irises and voices.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The consolidated financial statements include the accounts of Aware, Inc. and its subsidiaries ("the Company"). All significant intercompany transactions have been eliminated.

Use of Estimates - The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Estimates used in these financial statements include but are not limited to, revenue recognition, goodwill and long-lived asset impairment, stock based compensation, income taxes, and allowance for credit losses.

Fair Value Measurements - The Financial Accounting Standards Board ("FASB") Codification defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the FASB Codification are: i) Level 1 - valuations that are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; ii) Level 2 - valuations that are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and iii) Level 3 - valuations that require inputs that are both significant to the fair value measurement and unobservable.

Cash and cash equivalents, which primarily include money market mutual funds, were \$13.0 million and \$10.0 million at December 31, 2024 and 2023, respectively. Marketable securities, which primarily include U.S.

Treasuries and corporate bonds, were \$14.8 million and \$20.9 million as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, our assets that are measured at fair value on a recurring basis include the following (in thousands):

| | Fair Value Measurement at December 31, 2024 Using: | | | Total |
|---|---|---|--|-----------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Assets: | | | | |
| Money market funds (included in cash and cash equivalents) | \$ 10,671 | \$ - | \$ - | \$ 10,671 |
| Marketable securities | 14,842 | - | - | 14,842 |
| Total assets | \$ 25,513 | \$ - | \$ - | \$ 25,513 |

As of December 31, 2023, our assets and liabilities that are measured at fair value on a recurring basis included the following (in thousands):

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

The fair value of our contingent acquisition payments was \$0 as of December 31, 2023. The \$0.8 million decrease during the year ended December 31, 2023 was due to the end of the earnout period without the achievement of any earnout targets, resulting in no earnout payment being required.

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

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

| | December 31, 2024: | | | Fair Value |
|-------------------------------|--------------------|---------------------------|-------------------------|------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | |
| U.S. Treasury notes and bonds | \$ 14,591 | \$ 260 | \$ (9) | \$ 14,842 |
| | \$ 14,591 | \$ 260 | \$ (9) | \$ 14,842 |

| | December 31, 2023: | | | |
|-------------------------------|---------------------------|-------------------------------|--------------------------------|-------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury notes and bonds | \$ 15,332 | \$ 176 | \$ (19) | \$ 15,489 |
| Corporate bonds | 5,386 | 39 | (1) | 5,424 |
| | <u>\$ 20,718</u> | <u>\$ 215</u> | <u>\$ (20)</u> | <u>\$ 20,913</u> |

Changes in note receivable consisted of the following (in thousands):

| | | |
|---------------------------------|----|---------|
| Balance as of December 31, 2022 | \$ | 2,601 |
| Accrued interest | | 94 |
| Write-off of Note Receivable | | (2,695) |
| Balance as of December 31, 2023 | | - |
| No Change | | - |
| Balance as of December 31, 2024 | | - |

The investment in the Note Receivable ("Note") with Omlis Limited ("Omlis"), a limited company incorporated and registered in England and Wales and the parent of MIRCAL Technologies Limited ("MIRACL"), was negotiated at an arm's length basis and the total carrying value of the investment was \$0 as of December 31, 2024 and 2023. The \$2.7 million write off during the year ended December 31, 2023 was the result of the lack of recoverability of the Note due to liquidity concerns as of December 31, 2023. In addition, in January 2024, Omlis and MIRACL petitioned to enter the United Kingdom administration process, which is still ongoing. The deterioration of Omlis' liquidity, resulted in our unlikely recoverability of the Note's carrying value.

Cash and Cash Equivalents – Cash and cash equivalents, which consist primarily of money market funds and demand deposits, are stated at fair value. All highly liquid investments purchased with an original maturity of three months or less are considered cash equivalents. Our cash balances exceed the Federal Deposit Insurance Corporation limits. The Company does not believe it is exposed to significant credit risk related to cash and cash equivalents.

Allowance for Credit Losses – The Company's accounts receivable are subject to concentrations of credit risk. We maintain an allowance for credit losses that reflects any estimated credit losses. This allowance is evaluated each quarter on a customer by customer basis and considers historical write-off experience with each customer, the number of days that any delinquent invoices are past due, and an evaluation of the potential risk of loss associated with any delinquent accounts. We record the allowance in "general and administrative" expense in the Consolidated Statements of Operations. Account receivables are written off and charged against the recorded allowance when the Company has exhausted collection efforts without success.

For the years ended December 31, 2024 and 2023, changes to and ending balances of the allowance for credit losses were as follows (in thousands):

| | Years ended December 31, | |
|---|-------------------------------------|---------------|
| | 2024 | 2023 |
| Allowance for credit losses balance - beginning of year | \$ 173 | \$ 188 |
| Additions to the allowance for credit losses | 85 | 37 |
| Deductions against the allowance for credit losses | (11) | (52) |
| Allowance for credit losses balance - end of year | <u>\$ 247</u> | <u>\$ 173</u> |

Property and Equipment – Property and equipment is stated at cost. Depreciation and amortization of property and equipment is provided using the straight-line method over the estimated useful lives of the assets. Upon retirement or sale, the costs of the assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss on disposal is included in the determination of income or loss. Expenditures for repairs and maintenance are charged to expense as incurred.

The estimated useful lives of assets are:

| | |
|-------------------------------|----------|
| Leasehold improvements | 10 years |
| Furniture and fixtures | 5 years |
| Computer and office equipment | 3 years |
| Purchased software | 3 years |

Leases – We account for a contract as a lease when we have the right to control the asset for a period of time while obtaining substantially all of the asset’s economic benefits. We determine the initial classification and measurement of our operating lease right of use assets and lease liabilities at the lease commencement date and thereafter if modified. Fixed lease costs are recognized on a straight-line basis over the lease term. Variable lease costs are recognized in the period in which the obligation for those payments is incurred. We combine lease and non-lease components when determining lease costs for office space. The lease liability includes lease payments related to options to extend or renew the lease term if we are reasonably certain we will exercise those options. Our lease does not contain material residual value guarantees or restrictive covenants.

Goodwill – We record goodwill when consideration paid in a business acquisition exceeds the fair value of the net assets acquired. Our estimates of fair value are based upon assumptions believed to be reasonable at the time, but such estimates are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate and unanticipated events or circumstances may occur, which may affect the accuracy or validity of such assumptions, estimates or actual results. Goodwill is not amortized but rather is tested for impairment annually in the fourth quarter or more frequently, if facts and circumstances warrant a review. Circumstances that could trigger an impairment test include, but are not limited to, a significant adverse change in the business climate or legal factors, an adverse action or assessment by a regulator, decline in market capitalization, or unanticipated competition. We have determined that there is a single reporting unit for the purpose of conducting the goodwill impairment assessment. In accordance with ASC Topic 350, Intangibles—Goodwill and Other, we first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If after assessing the totality of events or circumstances, we determine that it is more likely than not (i.e., greater than 50% likelihood) that the fair value of the reporting unit is less than its carrying amount, then the quantitative test is required. The quantitative goodwill impairment test requires us to estimate and compare the fair value of the reporting unit, determined using an income approach and a market approach, with its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets, goodwill is not impaired. If the fair value of the reporting unit is less than the carrying value, the difference is recorded as an impairment loss up to the amount of goodwill.

Application of the goodwill impairment test requires judgments, including identification of the reporting units, assigning goodwill to reporting units, a qualitative assessment to determine whether there are any impairment indicators, and determining the fair value of each reporting unit which often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. There is no assurance that the actual future earnings or cash flows of the reporting unit will not decline significantly from the projections used in the impairment analysis. Goodwill impairment charges may be recognized in future periods to the extent changes in factors or circumstances occur, including deterioration in the macroeconomic environment and industry, deterioration in the Company’s performance or its future projections, or changes in plans for its reporting unit.

As of December 31, 2024 and 2023, we had \$3.1 million of goodwill. We performed a quantitative analysis during the years ended December 31, 2024 and 2023 and determined there were no impairments of goodwill.

Long-Lived Assets – We review long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the undiscounted cash flows estimated to be generated by those assets over their estimated economic life to the related carrying

value of those assets to determine if the assets are impaired. If an impairment is indicated, the asset is written down to its estimated fair value. The cash flow estimates used to identify the potential impairment reflect our best estimates using appropriate assumptions and projections at that time. In evaluating potential impairment of these assets, we specifically consider whether any indicators of impairment are present, including, but not limited to:

- whether there has been a significant adverse change in the business climate that affects the value of an asset;
- whether there has been a significant change in the extent or way an asset is used; and
- whether there is an expectation that the asset will be sold or disposed of before the end of its originally estimated useful life.

We did not identify any events or changes in business circumstances that would indicate the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate during the years ended December 31, 2024 and 2023.

Revenue recognition - The core principle of Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC 606”) is that we should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. To achieve that core principle, we apply the following five step model:

1) Identify the contract with the customer

A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party’s rights regarding the goods or services to be transferred and identifies the related payment terms, (ii) the contract has commercial substance, and (iii) we determine that collection of substantially all consideration for goods and services that are transferred is probable based on the customer’s intent and ability to pay the promised consideration. We apply judgment in determining the customer’s intent and ability to pay, which is based on a variety of factors including the customer’s historical payment experience, or in the case of a new customer, published credit and financial information pertaining to the customer.

We evaluate contract modifications for the impact on revenue recognition if they have been approved by both parties such that the enforceable rights and obligations under the contract have changed. Contract modifications are either accounted for using a cumulative effect adjustment or prospectively over the remaining term of the arrangement. The determination of which method is more appropriate depends on the nature of the modification, which we evaluate on a case-by-case basis.

We combine two or more contracts entered into at or near the same time with the same customer and account for them as a single contract if (i) the contracts are negotiated as a package with a common commercial objective, (ii) the amount of consideration to be paid in one contract depends on the price or performance of the other contract, or (iii) some or all of the goods or services in one contract would be combined with some or all of the goods and services in the other contract into a single performance obligation. If two or more contracts are combined, the consideration to be paid is aggregated and allocated to the individual performance obligations without regard to the consideration specified in the individual contracts.

2) Identify the performance obligations in the contract

Performance obligations promised in a contract are identified based on the goods and services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other available resources, and are distinct in the context of the contract, whereby the transfer of the good or service is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods and services, we apply judgment to determine whether promised goods and services are capable of being distinct and distinct in the context of the contract. If these criteria are not met, the promised goods and services are accounted for as a combined performance obligation. To identify performance obligations, we consider all of the goods or services promised in a contract regardless of whether they are explicitly stated or are implied by customary business practices.

3) Determine the transaction price

The transaction price is determined based on the consideration we expect to be entitled in exchange for transferring promised goods and services to the customer. Determining the transaction price requires significant judgment. To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that should be included in the transaction price utilizing either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue recognized under the contract will not occur. Any estimates, including the effect of the constraint on variable consideration, are evaluated at each reporting period. Some of our arrangements include usage-based royalties where a software license is the predominant item that the royalty relates to. In these arrangements, revenue from the usage-based royalty is recognized when the subsequent usage occurs.

The amount of consideration is not adjusted for a significant financing component if the time between payment and the transfer of the related good or service is expected to be one year or less under the practical expedient in ASC 606-10-32-18. Our revenue arrangements are typically accounted for under such expedient, as payment is typically due within 30 to 60 days. As of December 31, 2024 and 2023, none of our contracts contained a significant financing component.

Our arrangements can include variable fees, such as the option to purchase additional usage of a previously delivered software license. The Company may also provide pricing concessions to clients, a business practice that also gives rise to variable fees in contracts. The Company also reviews contractual termination provisions in determining contractual term and total transaction price. For variable fees arising from the client's purchase of additional usage of a previously delivered software license, we apply the sales and usage-based royalties guidance related to a license of intellectual property and recognizes the revenue in the period the underlying sale or usage occurs. We include variable fees in the determination of total transaction price if it is not probable that a future significant reversal of revenue will occur. We use the expected value or most likely value amount, whichever is more appropriate for specific circumstances, to estimate variable consideration, and the estimates are based on the level of historical price concessions offered to clients.

4) Allocate the transaction price to performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price ("SSP") basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct service that forms part of a single performance obligation. The consideration to be received is allocated among the separate performance obligations based on relative SSPs. The SSP is the price at which we would sell a promised good or service separately to a customer. The best estimate of SSP is the observable price of a good or service when we sell that good or service separately. A contractually stated price or a list price for a good or service may be the SSP of that good or service. We use a range of amounts to estimate SSP when we sell each of the goods and services separately and need to determine whether there is a discount that needs to be allocated based on the relative SSP of the various goods and services. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we typically determine the SSP using an adjusted market assessment approach using information that may include market conditions and other observable inputs. We typically have more than one SSP for individual goods and services due to the stratification of those goods and services by customers and circumstances. In these instances, we may use information such as the nature of the customer and distribution channel in determining the SSP.

5) Recognize revenue when or as we satisfy a performance obligation

We satisfy performance obligations either over time or at a point in time. Revenue is recognized over time if i) the customer simultaneously receives and consumes the benefits provided by our performance, ii) our performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or iii) our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date. If we do not satisfy a performance obligation over time, the related performance obligation is satisfied at a point in time by transferring the control of a promised good or service to a customer.

We categorize revenue as software licenses, software maintenance, or services and other. Specific revenue recognition policies apply to each category of revenue.

Software licenses

Software licenses consist of revenue from the sale of software licenses for biometrics and imaging applications. Our software licenses are functional intellectual property and typically provide customers with the right to use our software on a term or perpetual basis as it exists when made available to the customer. We recognize revenue from perpetual software licenses at a point in time upon delivery, provided all other revenue recognition criteria are met.

We also offer certain products pursuant to a subscription-based software model which includes a term software license to use the software for a fixed term. We recognize revenue for fixed fees associated with subscription-based software licenses at a point in time upon delivery, provided all other revenue recognition criteria are met. Fees subject to the usage-based royalty exception are recognized when the subsequent usage occurs.

Also, with the adaption of our current products to be delivered in a hosted environment with AwareID, we recognize revenue from our SaaS offerings ratably over the subscription period. For the year ended December 31, 2024, we generated \$0.1 million of revenue from SaaS contracts, which is included in license revenue. In 2023, we generated a de minimis amount of revenue from SaaS contracts.

Software maintenance

Software maintenance consists of revenue from the sale of software maintenance contracts for biometrics and imaging software. Software maintenance contracts entitle customers to receive software support and software updates, if and when they become available, during the term of the maintenance contract. Software support and software updates are considered distinct services. However, these distinct services are considered a single performance obligation consisting of a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. We recognize software maintenance revenue over time on a straight-line basis over the contract period.

Services and other

Service revenue consists of fees from biometrics customers for software engineering services. We recognize services revenue over time as the services are delivered using an input method (i.e., labor hours incurred as a percentage of total labor hours budgeted), provided all other revenue recognition criteria are met. The use of the over-time revenue recognition method requires judgment in developing budgeted labor hours. Changes in budgeted hours may occur and the resulting impact on revenue recognition is accounted for in the period of the change in estimate. Other revenue, which includes hardware sales that may be purchased with the software license, is recognized at a point in time upon delivery provided all other revenue recognition criteria are met.

Arrangements with multiple performance obligations

In addition to selling software licenses, software maintenance and software services on a standalone basis, a significant portion of our contracts include multiple performance obligations. The various combinations of multiple performance obligations and our revenue recognition for each are described as follows:

- **Perpetual software licenses and software maintenance:** When software licenses and software maintenance contracts are sold together, the software licenses and software maintenance are generally considered distinct performance obligations. The transaction price is allocated to the software licenses and the software maintenance based on relative SSP. Revenue allocated to the software licenses is recognized at a point in time upon delivery, provided all other revenue recognition criteria are met. Revenue allocated to the software maintenance is recognized over time on a straight-line basis over the contract period.
- **Perpetual software licenses and services:** When software licenses and significant customization engineering services are sold together, they are accounted for as a combined performance obligation, as the software licenses are generally highly dependent on, and interrelated with, the associated services and therefore are not distinct performance obligations. Revenue for the combined performance obligation is recognized over time as the services are delivered using an input method (i.e., labor hours incurred as a percentage of total labor hours budgeted). When software licenses and standard implementation or

consulting-type services are sold together, they are generally considered distinct performance obligations, as the software licenses are not dependent on or interrelated with the associated services. The transaction price in these arrangements is allocated to the software licenses and services based on relative SSP. Revenue allocated to the software licenses is recognized at a point in time upon delivery, provided all other revenue recognition criteria are met. Revenue allocated to the services is recognized over time using an input method. In arrangements with both software licenses and services, the software license portion of the arrangement is classified as software license revenue and the services portion is classified as services revenue in our consolidated statements of operations and comprehensive loss.

- **Perpetual software licenses, software maintenance and services:** When we sell software licenses, software maintenance and software services together, we account for the individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations based on relative SSP. Revenue allocated to the software licenses is recognized at a point in time upon delivery. Revenue allocated to the services is recognized over time using an input method (i.e., labor hours incurred as a percentage of total labor hours budgeted). Revenue for the software maintenance is recognized over time on a straight-line basis over the contract period. However, if the software services are significant customization engineering services, they are accounted for with the software licenses as a combined performance obligation, as stated above. Revenue for the combined performance obligation is recognized over time using an input method.
- **Perpetual software licenses, hardware, software maintenance, and services:** When we sell software licenses, hardware, software maintenance and software services together, we account for the individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations based on relative SSP. Revenue allocated to the software licenses is recognized at a point in time upon delivery. Revenue allocated to the services is recognized over time using an input method (i.e., labor hours incurred as a percentage of total labor hours budgeted). Revenue for the hardware is recognized at a point in time upon delivery. Revenue for the software maintenance is recognized over time on a straight-line basis over the contract period.
- **Subscription-based software consisting of a software license and software maintenance:** When subscription-based software is sold, the software license and software maintenance are generally considered distinct performance obligations. The transaction price is allocated to software license and the software maintenance based on relative SSP. We sell subscription-based software licenses for a fixed fee and/or a usage-based royalty fee, sometimes subject to a minimum guarantee. When the amount is in the form of a fixed fee, including the guaranteed minimum in usage-based royalty, revenue is allocated to the software license recognized at a point in time upon delivery, provided all other revenue recognition criteria are met. Any royalties not subject to the guaranteed minimum or earned in excess of the minimum amount are recognized as revenue when the subsequent usage occurs. Revenue allocated to the software maintenance is recognized on a straight-line basis over the contract period.

Returns

We do not offer rights of return for our products and services in the normal course of business.

Customer Acceptance

Our contracts with customers generally do not include customer acceptance clauses.

Contract Balances

When the timing of our delivery of goods or services is different from the timing of payments made by customers, we recognize either a contract asset (performance precedes contractual billing date) or a contract liability (customer payment precedes performance). Customers that prepay are represented by deferred revenue until the performance obligation is satisfied. Our contract assets consist of unbilled receivables. Our contract liabilities consisted of deferred (unearned) revenue, which is generally related to software maintenance contracts. We classify deferred revenue as current or noncurrent based on the timing of when we expect to recognize revenue.

The following table presents changes in our contract assets and liabilities during the years ended December 31, 2024 and 2023 (in thousands):

| | Balance at Beginning of period | Revenue Recognized In Advance of Billings | Billings | Balance at End of Period |
|-------------------------------------|---|--|-------------------------------|---|
| Year ended December 31, 2024 | | | | |
| Contract Assets: | | | | |
| Unbilled receivables | \$ 1,401 | \$ 3,558 | \$ (3,879) | \$ 1,080 |
| Year ended December 31, 2023 | | | | |
| Contract Assets: | | | | |
| Unbilled receivables | \$ 2,929 | \$ 4,356 | \$ (5,884) | \$ 1,401 |
| | Balance at Beginning of period | Billings | Revenue Recognized | Balance at End of Period |
| Year ended December 31, 2024 | | | | |
| Contract Liabilities: | | | | |
| Deferred revenue | \$ 5,537 | \$ 8,203 | \$ (8,577) | \$ 5,163 |
| Year ended December 31, 2023 | | | | |
| Contract Liabilities: | | | | |
| Deferred revenue | \$ 3,733 | \$ 9,478 | \$ (7,674) | \$ 5,537 |

Remaining Performance Obligations

Remaining performance obligations represent the transaction price from contracts for which work has not been performed or goods and services have not been delivered. We expect to recognize revenue on approximately 97% of the remaining performance obligations over the next 12 months, with the remainder recognized thereafter. The aggregate amount of the transaction price allocated to remaining performance obligations with a duration greater than one year, comprised of software maintenance contracts, was \$0.3 million as of December 31, 2024.

Contract Costs

We recognize other long-term assets for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that certain sales commissions meet the requirements to be capitalized, and we amortize these costs on a consistent basis with the pattern of transfer of the goods and services in the contract. Total capitalized costs to obtain a contract were immaterial during the periods presented and are included in other current and long-term assets on our consolidated balance sheets.

We apply a practical expedient to expense costs as incurred for costs to obtain a contract when the amortization period is one year or less. These costs include sales commissions on software maintenance contracts with a contract period of one year or less as sales commissions paid on contract renewals are commensurate with those paid on the initial contract.

Income Taxes – We compute deferred income taxes based on the differences between the financial statement and tax basis of assets and liabilities using enacted rates in effect in the years in which the differences are expected to reverse. We establish a valuation allowance to offset temporary deductible differences, net operating loss carryforwards and tax credits when it is more likely than not that the deferred tax assets will not be realized.

We recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the tax position. The evaluation of an uncertain tax position is based on factors that include, but are not limited to, changes in the tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit and changes in facts or circumstances related to a tax position. Any changes to these estimates, based on the actual results obtained and/or a change in assumptions, could impact our tax provision in future periods. Interest and penalty charges, if any, related to unrecognized tax benefits would be classified as a provision for income tax in the consolidated statements of operations and comprehensive loss.

Capitalization of Software Costs – We capitalize certain costs to develop software products to be sold, leased, or marketed to external users after technological feasibility of the product has been established. No software costs were capitalized during the years ended December 31, 2024 and 2023, because such costs incurred between the period after technological feasibility to the product release were immaterial.

The Company capitalizes and amortizes certain direct costs associated with computer software developed or purchased for internal use incurred during the application development stage. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. The Company amortizes capitalized software costs generally over three to five years, commencing on the date the software is placed into service. No software costs were capitalized during the years ended December 31, 2024 and 2023, because such costs were immaterial.

Research and Development Costs – Costs incurred in the research and development of our products are expensed as incurred.

Concentration of Credit Risk – At December 31, 2024 and 2023, we had cash and cash equivalents in excess of federally insured deposit limits of approximately \$12.7 million and \$9.7 million, respectively.

Concentration of credit risk with respect to net accounts receivable and unbilled receivables consisted of amounts owed by the following customers that comprised more than 10% of net accounts receivable and unbilled receivables at December 31:

| | December 31, | |
|------------|--------------|------|
| | 2024 | 2023 |
| Customer A | 16% | 16% |
| Customer B | 18% | 8% |

We had one customer in 2023 that represented 18% of revenue. No other customers represented over 10% of revenue in 2024 or 2023.

Stock-Based Compensation – We grant stock and stock options to our employees and directors. We measure stock-based compensation cost at the grant date based on the fair value of the award and recognize stock-based compensation expense on a straight-line basis over the requisite service period of the award.

For stock options, we use the Black-Scholes valuation model to estimate fair value. This model considers both observable inputs and assumptions. Observable inputs include the exercise price of the award and the risk-free interest rate over the expected term. Assumptions used in the valuation include the expected term of the option, the expected volatility of our stock over the expected term, and our expected annual dividend yield.

Computation of Earnings per Share – Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding plus additional common shares that would have been outstanding if dilutive potential common shares had been issued. For the purposes of this calculation, stock options are considered common stock equivalents in periods in which they have a dilutive effect. Stock options that are antidilutive are excluded from the calculation.

Fair Value of Financial Instruments – The carrying amounts of cash and cash equivalents, accounts receivable, unbilled receivables, accounts payable and accrued expenses approximate fair value because of their short-term nature.

Segments – We have determined that we operate as a single reportable segment, as our Chief Executive Officer, who serves as our chief operating decision maker (CODM), evaluates financial performance and allocates resources on a consolidated basis. In making operating decisions, management and the Board receive regular reporting on revenue, cost of revenue, operating expenses, and profitability metrics. The primary financial measures used to assess performance include revenue growth, gross margin, adjusted EBITDA, and operating income. Significant expense categories reviewed by our CODM for our single operating segment include research and development, selling and marketing, and general and administrative expenses, as presented in our consolidated statement of operations.

To determine our single reportable segment, we evaluated factors such as the nature of our products and services, customer base, distribution methods, and how the business is managed. Given that we provide a unified suite of biometric and identity solutions, serve a common customer base, and operate under a single management team with an integrated resource allocation strategy, we concluded that a single operating segment best represents how we manage the business.

We do not allocate assets to individual business units or product lines for internal reporting purposes. Our CODM reviews the company's assets on a consolidated basis, and as a result, we do not present segment asset information separately in our financial statements

We conduct our operations in the United States and sell our products and services to domestic and international customers. Revenues were generated from the following geographic regions (in thousands):

| | Year ended December 31, | |
|----------------|----------------------------|------------------|
| | 2024 | 2023 |
| United States | \$ 7,597 | \$ 11,953 |
| United Kingdom | 4,720 | 1,524 |
| Rest of world | 5,072 | 4,767 |
| | <u>\$ 17,389</u> | <u>\$ 18,244</u> |

Revenue by product group was (in thousands):

| | Year ended December 31, | |
|-------------------------------|----------------------------|------------------|
| | 2024 | 2023 |
| License and service contracts | \$ 13,431 | \$ 14,272 |
| Subscription-based contracts | 3,958 | 3,972 |
| | <u>\$ 17,389</u> | <u>\$ 18,244</u> |

Revenue by product group consists of all revenue associated with a contract, including license revenue, maintenance revenue, and services and other revenue. Revenue may be recognized at a point in time or over time, depending on the nature of the underlying performance obligations. These revenues are attributable to contracts with fixed fees and those with guaranteed minimums.

License and service contracts include revenue recognized from perpetual software licenses, professional services, and associated maintenance contracts. Subscription-based contracts include revenue from term licenses and their associated maintenance contracts, as well as SaaS-based revenue and other recurring subscription services.

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

| | Year ended December 31, | |
|--|----------------------------|------------------|
| | 2024 | 2023 |
| Goods or services transferred at a point in time | \$ 5,279 | \$ 8,223 |
| Goods or services transferred over time | 12,110 | 10,021 |
| | <u>\$ 17,389</u> | <u>\$ 18,244</u> |

3 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31 (in thousands):

| | 2024 | 2023 |
|-------------------------------|---------------|---------------|
| Building and improvements | 162 | 162 |
| Computer and office equipment | 903 | 859 |
| Purchased software | 78 | 78 |
| Furniture and fixtures | 573 | 573 |
| Total | 1,716 | 1,672 |
| Less accumulated depreciation | (1,239) | (1,093) |
| Property and equipment, net | <u>\$ 477</u> | <u>\$ 579</u> |

Depreciation expense was \$0.2 million for each of the years ended December 31, 2024 and 2023.

4. INTANGIBLE ASSETS

The carrying value of intangible assets and their estimated useful life as of December 31, 2024 are as follows (dollars in thousands):

| | <u>Useful Life</u> | <u>Gross Amount</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> |
|-------------------------|--------------------|---------------------|---------------------------------|-----------------------|
| Customer relationships | 8 and 10 years | \$ 2,680 | \$ (1,007) | \$ 1,673 |
| Developed technology | 5 and 7 years | 710 | (414) | 296 |
| Trade name / trademarks | 3 and 7 years | 30 | (23) | 7 |
| | | <u>\$ 3,420</u> | <u>\$ (1,444)</u> | <u>\$ 1,976</u> |

The carrying value of intangible assets and their estimated useful life as of December 31, 2023 are as follows (dollars in thousands):

| | <u>Useful Life</u> | <u>Gross Amount</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> |
|-------------------------|--------------------|---------------------|---------------------------------|-----------------------|
| Customer relationships | 8 and 10 years | \$ 2,680 | \$ (715) | \$ 1,965 |
| Developed technology | 5 and 7 years | 710 | (297) | 413 |
| Trade name / trademarks | 3 and 7 years | 30 | (17) | 13 |
| | | <u>\$ 3,420</u> | <u>\$ (1,029)</u> | <u>\$ 2,391</u> |

During the years ended December 31, 2024 and 2023, we recorded \$0.4 million of amortization expense on intangible assets. The Company expects to record amortization for the years ended December 31 as follows (in thousands):

| | |
|------------|-----------------|
| 2025 | \$ 405 |
| 2026 | 356 |
| 2027 | 355 |
| 2028 | 338 |
| 2029 | 174 |
| Thereafter | 348 |
| | <u>\$ 1,976</u> |

6. SUBSCRIPTION AGREEMENT

On March 11, 2022, concurrently with our entry into a mutual reseller arrangement with MIRACL Technologies Limited ("MIRACL"), we entered into a subscription agreement with Omlis Limited, a limited company incorporated and registered in England and Wales and the parent of MIRACL ("Omlis"). We purchased \$2.5 million of Omlis' note receivable ("Note") that accrues interest at 5% annually with a maturity date of March 11, 2026.

We recorded the Note at fair value in accordance with ASC 825, Financial Instruments, which was \$0 as of December 31, 2024 and 2023. For the year ended December 31, 2023 we recorded a fair value adjustment of \$2.7 million, which included \$0.2 million of accrued interest, to adjust the fair value to \$0 as of December 31, 2023. The \$2.7 million write off during the year ended December 31, 2023 was the result of the lack of recoverability of the Note due to liquidity concerns as of December 31, 2023. In addition, in January 2024, Omlis and MIRACL petitioned to enter the United Kingdom administration process, which is still ongoing. The

deterioration of Omlis' liquidity resulted in our unlikely recoverability of the Note's carrying value and the unlikelihood of a payout as an unsecured creditor from the administration process.

7. INCOME TAXES

We recorded a provision for income tax of \$53 thousand and \$59 thousand for the years ended December 31, 2024 and 2023, respectively. The components of the provision for income taxes are as follows (in thousands):

| | Year ended December 31, | |
|----------------------------|----------------------------|--------------|
| | 2024 | 2023 |
| Current: | | |
| Federal | \$ - | \$ (11) |
| State | 31 | 70 |
| Foreign | 22 | — |
| Provision for income taxes | <u>\$ 53</u> | <u>\$ 59</u> |

The difference between the effective tax rate and the U.S federal statutory rate was driven primarily due to the changes in the valuation allowance of our deferred tax assets, state income taxes and impact of stock-based compensation to the deferred tax assets in both 2024 and 2023. A reconciliation of the U.S. federal statutory rate to the effective tax rate is as follows:

| | Year ended December 31, | |
|------------------------------------|----------------------------|-------------|
| | 2024 | 2023 |
| Federal statutory rate | 21% | 21% |
| State rate, net of federal benefit | 2 | 7 |
| Tax credits | 2 | (3) |
| Permanent adjustments | — | — |
| Change in valuation allowance | (16) | (19) |
| Stock compensation | (13) | (2) |
| Tax law change | 2 | (5) |
| Other | 1 | — |
| Effective tax rate | <u>(1)%</u> | <u>(1)%</u> |

On October 4, 2023, Massachusetts enacted tax law changes which included the adoption of a single sales apportionment factor effective on January 1, 2025. As required under ASC 740, Income Taxes, we have accounted for the deferred tax impacts of this tax law change in the period the tax law was enacted, which has the impact of reducing our state deferred tax assets. The change in the deferred tax asset balance related to this was offset by a corresponding decrease in the valuation allowance.

Deferred income taxes - We had net deferred tax assets of \$0 as of December 31, 2024 and 2023. The principal components of deferred tax assets, net, were as follows at December 31 (in thousands):

| | 2024 | 2023 |
|---------------------------------------|---------------|---------------|
| Stock-based compensation | \$ 215 | \$ 663 |
| Research and development credits | 6,662 | 6,623 |
| Capitalized research expense | 3,846 | 3,094 |
| Net operating loss | 2,655 | 1,768 |
| Loss on note receivable | — | 644 |
| Other | 318 | 257 |
| Total deferred tax assts | <u>13,696</u> | <u>13,049</u> |
| Valuation allowance | (13,222) | (12,504) |
| Deferred tax liabilities | | |
| Depreciation | (113) | (138) |
| Intangibles | (361) | (407) |
| Total deferred tax liabilities | <u>(474)</u> | <u>(545)</u> |
| Net deferred tax assets (liabilities) | <u>\$ -</u> | <u>\$ -</u> |

As of December 31, 2024, \$6.7 million of our deferred tax assets relate to research and development credit carryforwards. Further, a significant portion of our deferred tax assets relates to federal and state research and development credits. These credits may only offset 75% of the tax liability after net operating loss carryforwards are utilized and thus, we have the risk that the credits could expire before utilization if sufficient taxable income in the carryforward periods doesn't exist.

As of December 31, 2024, we had a federal net operating loss carryforward of \$7.4 million, which may be available to offset future income tax liabilities. \$6.8 million of those NOLs can be carried forward indefinitely and the remaining \$0.6 million expire in 2037. As of December 31, 2024, we had State NOL carryforwards of \$26.5 million, which expire at various dates through 2044.

We evaluated and considered all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance for deferred tax assets was needed. The deferred tax assets are composed principally of net operating loss carryforwards, capitalized research costs and research and development credits. As part of this analysis, we gave more weight to recent, historical evidence than future projections as we consider the past more objective. Under the applicable accounting standards, we considered our history of losses and concluded that it is more likely that we will not recognize the benefits of federal and state deferred tax assets. Therefore, we have recorded a full valuation allowance of \$13.2 million and \$12.5 million at December 31, 2024 and 2023, respectively. During the year ended December 31, 2024, we increased the valuation allowance by \$0.7 million from the prior year end. We will continue to monitor the evidence and the realizability of our deferred tax assets in future periods. Should evidence regarding the realizability of our deferred tax assets change at a future point in time, we will adjust the valuation allowance as required.

Under Internal Revenue Code Section 382, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change NOL carryforwards and other pre-change tax attributes to offset its post-change income may be limited. In connection with our acquisition of FortressID during 2021, the historical NOL carryforwards of \$3.5 million from FortressID are likely limited under Section 382 due to a change in ownership triggered by the acquisition, however, we do not expect the limitation to result in any of the NOL carryforwards to expire unused. We have not completed a study at the Aware, Inc. level to assess whether an "ownership change" has occurred or whether there have been multiple ownership changes since we became a "loss corporation" as defined in Section 382. Future changes in our stock ownership, which may be outside of our control, may trigger an "ownership change." In addition, future equity offerings or acquisitions that have equity as a component of the purchase price could result in an "ownership change." If an "ownership change" has occurred or does occur in the future, utilization of the NOL carryforwards or other tax attributes may be limited, which could potentially result in increased future tax liability to us.

Uncertain tax benefits - As of December 31, 2024 and 2023, we had \$0.7 million of uncertain tax positions that were primarily related to our research and development tax credits. There were no changes to this amount during each of the years ended December 31, 2024 and 2023. The uncertain tax positions will impact our effective tax rate if realized.

Tax examinations – We file tax returns as prescribed by the tax laws of the jurisdictions in which we operate. In the normal course of business, we are subject to examination by federal and state jurisdictions, where applicable. The earliest tax years that remain subject to examination by jurisdiction is 2019 for both federal and Massachusetts. However, to the extent the Company utilizes net operating losses or credits from years prior to 2019, the statute remains open to the extent of the net operating losses or other credits are utilized.

8. EQUITY AND STOCK COMPENSATION PLANS

Stock Option Plan – During the year ended December 31, 2023, we had one active fixed stock option plan, the 2001 Nonqualified Stock Plan (the “2001 Plan”), under which we were authorized to grant nonqualified stock options, stock appreciation rights, and stock awards to employees and directors for up to 8,000,000 shares of common stock. As of December 31, 2023, there were 1,577,130 shares available for grant under the 2001 Plan.

On January 17, 2024, our shareholders approved the Aware, Inc. 2023 Equity and Incentive Plan (the “2023 Plan”), which replaced the 2001 Plan. The 2023 Plan provides for the grant of various equity-based awards, including incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, unrestricted stock, restricted stock units, dividend equivalent rights, and cash awards. The 2023 Plan authorizes the issuance of an aggregate of 1,277,130 shares of common stock, plus an additional number of shares equal to the number of shares subject to outstanding awards under the 2001 Plan that are forfeited, expire unexercised, or are repurchased or withheld to cover taxes or exercise prices, up to a maximum of 2,590,000 shares. As of December 31, 2024, there were 2,175,211 shares available for grant under the 2023 Plan.

Options are granted with exercise prices as determined by the Board of Directors and have a maximum term of ten years. Options generally vest over three to five years.

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

| | For the Year Ended December 31, | |
|----------------------------------|--|-----------------|
| | 2024 | 2023 |
| Research and development | 156 | 309 |
| Selling and marketing | 63 | 88 |
| General and administrative | 913 | 1,128 |
| Stock-based compensation expense | <u>\$ 1,132</u> | <u>\$ 1,525</u> |

Stock-based compensation expense in the preceding table includes expenses associated with grants of: i) stock options, ii) unrestricted shares of our common stock; and iii) performance share awards. The methods used to determine stock-based compensation expense for each type of equity grant are described in the following paragraphs.

Stock Option Grants. During the year ended December 31, 2024, we granted 640,000 common stock options to purchase our common stock under the 2023 plan. We did not grant any stock options during the year ended December 31, 2023. We estimate the fair value of stock options using the Black-Scholes valuation model.

The Black-Scholes valuation model takes into account the exercise price of the award, as well as a variety of significant assumptions. The assumptions used to estimate the fair value of stock options include the expected term, the expected volatility of our stock over the expected term, the risk-free interest rate over the expected term, and our expected annual dividend yield. We account for forfeitures as they occur. We believe that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of stock options granted. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards.

On January 17, 2024, our stockholders approved a stock option exchange program (the “Exchange Offer”) pursuant to which eligible employees, primarily consisting of our executive officers and senior management, were able to exchange certain stock options (the “Eligible Options”) for replacement stock options with modified terms (the “New Options”) as described below. We commenced the Exchange Offer on January 19, 2024.

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

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

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

During the year ended December 31, 2024 we expensed an incremental \$0.3 million in stock based compensation expense related to the accelerated vesting of stock options of our former Chief Executive Officer.

Specific assumptions used to determine the fair value of options granted during the year ended December 31, 2024, using the Black-Scholes valuation model were as follows:

| | Year ended December 31, 2024 |
|---|---|
| Expected term ⁽¹⁾ | 6.25 years |
| Expected volatility factor ⁽²⁾ | 53 % |
| Risk-free interest rate ⁽³⁾ | 4.2 % |
| Expected annual dividend yield | n/a |

(1) The expected term for each grant was determined based on the simplified method.

(2) The expected volatility for each grant is estimated based on an average of historical volatility over the expected term of the stock options.

(3) The risk-free interest rate for each grant is based on the U.S. Treasury yield curve in effect at the time of grant for a period equal to the expected term of the stock option.

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

We granted 284,814 restricted stock units to directors, officers, and employees during the year ended December 31, 2024. Of the restricted stock units granted in 2024, 70,406 vested shortly after June 30, 2024 and 70,408 vested shortly after December 31, 2024. Of the remaining 144,000 restricted stock units, 15,000 vested in November 2024, 6,000 vested in December 2024 and 18,000 are scheduled to vest in June 2025, 2026 and 2027 in 6,000 increments. The remaining 105,000 restricted stock units were forfeited in 2024 as a result of employee terminations.

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

We granted 134,211 shares of unrestricted stock to directors, officers, and employees during the year ended December 31, 2023. Of these shares granted in 2023, 67,104 were issued shortly after June 30, 2023 and 67,107 were issued shortly after December 31, 2023. 15,000 shares were issued in August 2024 related to a grant in August 2022 and the remaining 15,000 unrestricted stock grants were forfeited in September 2024 as a result of employee termination.

Stock Options. Total options outstanding at December 31, 2024 and 2023 were as follows:

| | 2024 | | 2023 | |
|----------------------------------|-------------|---------------------------------|-----------|---------------------------------|
| | Options | Weighted Average Exercise Price | Options | Weighted Average Exercise Price |
| Outstanding at beginning of year | 2,260,000 | \$ 4.88 | 2,560,000 | \$ 4.96 |
| Granted (1) | 1,573,073 | 2.14 | - | - |
| Exercised | - | - | - | - |
| Forfeited or cancelled (1) | (2,257,984) | 4.80 | (300,000) | 4.94 |
| Outstanding at end of year | 1,575,089 | \$ 2.27 | 2,260,000 | \$ 4.88 |
| Exercisable at year end | 644,082 | \$ 2.51 | 1,681,037 | \$ 4.94 |

(1) Includes 933,073 options granted and 2,180,000 cancelled pursuant to the Exchange Offer.

At December 31, 2024, the weighted average remaining contractual term for total options outstanding and total options exercisable was approximately 6.02 and 0.25 years, respectively.

At December 31, 2024, the aggregate intrinsic value of options outstanding and exercisable was \$0. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

The following table summarizes the stock options outstanding at December 31, 2024:

| Exercise Price Range | Options Outstanding | | | Options Exercisable | |
|----------------------|---------------------|---------------------------------|--|---------------------|---------------------------------|
| | Number | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Number | Weighted Average Exercise Price |
| \$2 to \$3 | 1,495,089 | \$ 2.14 | 9.43 | 567,416 | \$ 2.21 |
| \$3 to \$4 | — | \$ — | - | — | \$ — |
| \$4 to \$5 | 80,000 | \$ 4.73 | 6.15 | 76,666 | \$ 4.73 |
| | <u>1,575,089</u> | <u>\$ 2.27</u> | <u>6.98</u> | <u>644,082</u> | <u>\$ 2.51</u> |

At December 31, 2024, unrecognized compensation expense related to non-vested stock options was approximately \$0.6 million, which is expected to be recognized over a weighted average period of 3.2 years.

We issue common stock from previously authorized but unissued shares to satisfy option exercises and purchases under our Employee Stock Purchase Plan.

Employee Stock Purchase Plan – In May 2021, we adopted the 2021 Employee Stock Purchase Plan (“2021 ESPP”) under which eligible employees could purchase common stock at a price equal to 85% of the lower of the fair market value of the common stock at the beginning or end of each six-month offering period. Participation in the 2021 ESPP is limited to \$25,000 worth of stock for each calendar year, may be terminated at any time by the employee, and automatically ends on termination of employment. A total of 1,000,000 shares of common stock were reserved for issuance under the 2021 ESPP, and as of December 31, 2024, there were 747,404 shares available for future issuance thereunder. We issued 53,440 and 69,591 shares under the 2021 ESPP Plan during the years ended December 31, 2024 and 2023, respectively.

Share Purchases – On March 1, 2022, our Board of Directors authorized a stock repurchase program pursuant to which we may purchase up to \$10.0 million of our common stock. On November 30, 2023, our Board of Directors extended the program through December 31, 2025. As of December 31, 2024 we have repurchased \$2.0 million of our common stock pursuant to this program. During the years ended December 31, 2024 and 2023 we repurchased 137,086 and 299,780 shares of our common stock, respectively. The program does not obligate us to acquire any particular amount of common stock and the program may be modified or suspended at any time at our Board of Directors discretion.

Dividends – We did not pay dividends in the years ended December 31, 2024 and 2023.

9. LEASES

We lease 20,730 rentable square feet at 76 Blanchard Road in Burlington, Massachusetts (the “Leased Space”) which has a term of ten years and six months, which includes a one-time termination right after seven years and six months. The term of the lease commenced on October 1, 2022, the date that the landlord notified us that the planned construction on the Leased Space was substantially complete. The lease provides for an aggregate of \$8.2 million of rent payments over the lease term and also provides a renewal option for up to two additional terms of five years each.

The components of lease expense included in the consolidated statements of operations and comprehensive loss are as follows (in thousands):

| | For the Year Ended December 31, | |
|-----------------------|---------------------------------|--------|
| | 2024 | 2023 |
| Operating lease costs | \$ 733 | \$ 733 |

Supplemental balance sheet information related to the Company's operating lease was as follows (in thousands):

| | As of December 31, | |
|---|--------------------|-----------------|
| | 2024 | 2023 |
| Operating lease right-of-use assets | \$ 3,964 | \$ 4,260 |
| Current portion, operating lease liabilities | 656 | 637 |
| Operating lease liabilities, long term | 3,588 | 3,838 |
| Total operating lease liabilities | <u>\$ 4,244</u> | <u>\$ 4,475</u> |
| Weighted average remaining lease term (years) | 8.3 | 9.3 |
| Weighted average incremental borrowing rate | 10.1 % | 10.1 % |

The discount rate implicit in the lease was not readily determinable, and as such, we engaged a third-party valuation specialist to calculate the incremental borrowing rate ("IBR"). The IBR was determined as of the lease commencement date and was dependent on several factors including the amount of lease payments, our credit rating based on a collateralized borrowing, the lease term and the currency of the lease.

Future minimum lease payments for operating leases with initial remaining terms in excess of one year as of December 31, 2024 are as follows:

| | |
|-----------------------------------|-----------------|
| 2025 | \$ 687 |
| 2026 | 708 |
| 2027 | 729 |
| 2028 | 751 |
| 2029 | 773 |
| Thereafter | 2,678 |
| Total lease payments | <u>6,326</u> |
| Less implied interest | <u>(2,082)</u> |
| Total operating lease liabilities | <u>\$ 4,244</u> |

10. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation - There are no material pending legal proceedings to which we are a party or to which any of our properties are subject which, either individually or in the aggregate, are expected to have a material adverse effect on our business, financial position or results of operations.

Guarantees and Indemnification Obligations – We enter into agreements in the ordinary course of business that require us: i) to perform under the terms of the contracts, ii) to protect the confidentiality of our customers’ intellectual property, and iii) to indemnify customers, including indemnification against third party claims alleging infringement of intellectual property rights. We also have agreements with each of our directors and executive officers to indemnify such directors or executive officers, to the extent legally permissible, against all liabilities reasonably incurred in connection with any action in which such individual may be involved by reason of such individual being or having been a director or officer of the Company.

Given the nature of the above obligations and agreements, we are unable to make a reasonable estimate of the maximum potential amount that we could be required to pay. Historically, we have not made any significant payments on the above guarantees and indemnifications, and no amount has been accrued in the accompanying consolidated financial statements with respect to these guarantees and indemnifications.

11. EMPLOYEE BENEFIT PLAN

In 1994, we established a qualified 401(k) Retirement Plan (the “401K Plan”) under which employees are allowed to contribute certain percentages of their pay, up to the maximum allowed under Section 401(k) of the Internal Revenue Code. Our contributions to the 401K Plan are at the discretion of the Board of Directors. Our contributions were \$0.3 million and \$0.4 million in 2024 and 2023, respectively.

12. NET LOSS PER SHARE

The number of common shares used in the computation of diluted net loss per share for the periods presented does not include the effect of the following potentially outstanding common shares because the effect would have been anti-dilutive (in thousands):

| | Year ended December 31, | |
|---------------|----------------------------|-------|
| | 2024 | 2023 |
| Stock options | 1,575 | 2,533 |

Net loss per share is calculated as follows (in thousands, except per share data):

| | Year ended December 31, | |
|--|----------------------------|-----------|
| | 2024 | 2023 |
| Net loss | (4,431) | (7,314) |
| <u>Shares outstanding:</u> | | |
| Weighted-average common shares outstanding | 21,139 | 21,013 |
| Additional dilutive common stock equivalents | — | — |
| Diluted shares outstanding | 21,139 | 21,013 |
| Net loss per share – basic | \$ (0.21) | \$ (0.35) |
| Net loss per share - diluted | \$ (0.21) | \$ (0.35) |

13. SUBSEQUENT EVENT

In October 2024, the Board of Directors of Aware, Inc. initiated a CEO transition process. Robert Eckel stepped down as CEO and President effective December 31, 2024. On February 3, 2025, the Board appointed, Ajay K. Amlani as the new Chief Executive Officer and President.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Evaluation of Changes in Internal Control Over Financial Reporting

In December 2024, our Chief Executive Officer resigned, and our Chief Financial Officer assumed the role of Interim Chief Executive Officer while continuing to serve as Chief Financial Officer. In February 2024, we hired a new Chief Executive Officer, and the Interim Chief Executive Officer returned to his role as Chief Financial Officer. While these leadership transitions represent significant changes in our executive team, we have assessed their impact on our internal control over financial reporting and determined that these changes have not materially affected the design or operation of our internal controls.

We have updated our internal control documentation in light of these organizational changes. We will continue to monitor and update our internal control processes as necessary to ensure their effectiveness.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13(a)-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on our evaluation under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2024.

ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 of Form 10-K is incorporated by reference from the information contained in the sections captioned “*Directors and Executive Officers*”, “*Corporate Governance*” and “*Section 16(a) Beneficial Ownership Reporting Compliance*” in the Proxy Statement that will be delivered to our shareholders in connection with our June 11, 2025 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 of Form 10-K is incorporated by reference from the information contained in the section captioned “*Executive Compensation*” in the Proxy Statement that will be delivered to our shareholders in connection with our June 11, 2025 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 of Form 10-K is incorporated by reference from the information contained in the section captioned “*Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*” in the Proxy Statement that will be delivered to our shareholders in connection with our June 11, 2025 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information, if any, required by Item 13 of Form 10-K is incorporated by reference from the information contained in the sections captioned “*Corporate Governance*” and “*Certain Relationships and Related Transactions*” in the Proxy Statement that will be delivered to our shareholders in connection with our June 11, 2025 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 of Form 10-K is incorporated by reference from the information contained in the section captioned “*Independent Accountants*” in the Proxy Statement that will be delivered to our shareholders in connection with our June 11, 2025 Annual Meeting of Shareholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

The following documents are filed as part of this report:

(a) Financial Statements and Exhibits:

| | <u>Page</u> |
|--|-------------|
| (1) Report of Independent Registered Public Accounting Firm (PCAOB ID No. 49) | 26 |
| Consolidated Balance Sheets as of December 31, 2024 and 2023 | 28 |
| Consolidated Statements of Operations and Comprehensive Loss for each of the two years in the period ended December 31, 2024 | 29 |
| Consolidated Statements of Cash Flows for each of the two years in the period ended December 31, 2024 | 30 |
| Consolidated Statements of Stockholders' Equity for each of the two years in the period ended December 31, 2024 | 31 |
| Notes to Consolidated Financial Statements | 32 |

(b) Exhibits:

The exhibits listed below are filed with or incorporated by reference in this report.

| <u>Exhibit No.</u> | <u>Description of Exhibit</u> |
|--------------------|--|
| 3.1 | Amended and Restated Articles of Organization, as amended (filed as Exhibit 3.1 to the Company's Form 10-K for the year ended December 31, 2008 and incorporated herein by reference). |
| 3.2 | Amended and Restated By-Laws (filed as Exhibit 3.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on December 10, 2007 and incorporated herein by reference). |
| 4.1 | Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (filed as Exhibit 4.1 to the Company's Form 10-K for the year ended December 31, 2019 and incorporated herein by reference). |
| 10.1* | 2021 Employee Stock Purchase Plan, (filed as Annex A to the Company's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 9, 2021 and incorporated herein by reference). |
| 10.2* | Form of Indemnification Agreement for Directors and Officers of Aware, Inc. (filed as Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on February 22, 2011 and incorporated herein by reference). |
| 10.3* | 2001 Nonqualified Stock Plan (filed as Exhibit 99(d)(4) to the Company's Schedule TO filed with the Securities and Exchange Commission on March 3, 2003 and incorporated herein by reference). |
| 10.4* | Form of Nonqualified Stock Option Agreement under the 2001 Nonqualified Stock Plan for options granted to executive officers and directors prior to May 21, 2008 (filed as Exhibit 10.6 to Company's Form 10-K for the year ended December 31, 2006 and incorporated herein by reference). |
| 10.5* | Form of Nonqualified Stock Option Agreement under the 2001 Nonqualified Stock Plan for options granted to executive officers and directors from and after May 21, 2008 (filed as Exhibit 10.8 to Company's Form 8-K on May 22, 2008 and incorporated herein by reference). |
| 10.6* | Form of Unrestricted Stock Award for outside directors of Aware under the 2001 Nonqualified Stock Plan (filed as Exhibit 10.1 to Company's Form 8-K filed with the Securities and Exchange Commission on July 28, 2010 and incorporated herein by reference). |
| 10.7* | Form of Unrestricted Stock Award for officers of Aware under the 2001 Nonqualified Stock Plan (filed as Exhibit 10.2 to Company's Form 8-K filed with the Securities and Exchange Commission on July 28, 2010 and incorporated herein by reference). |

- 10.8* [Form of Unrestricted Stock Award for executive officers and directors of Aware, Inc. under the 2001 Nonqualified Plan \(filed as Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on April 4, 2013 and incorporated herein by reference\).](#)
- 10.9* [Employment Agreement between Aware, Inc. and Mohamed Lazzouni \(filed as Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on November 19, 2019 and incorporated herein by reference\).](#)
- 10.10* [Aware, Inc. 2024 Executive Bonus Plan \(incorporated by reference to Item 5.02 of the Aware, Inc. Current Report on Form 8-K filed with the Securities and Exchange Commission on April 10, 2024 and incorporated herein by reference\).](#)
- 10.11 [Lease dated as of March 1, 2022 by and between 76/80 Burlington Group, LLC and Aware, Inc. \(filed as Exhibit 10.20 to Aware Inc. Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission and incorporated herein by reference\).](#)
- 10.12* [Aware, Inc. 2023 Equity and Incentive Plan \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 18, 2024 and incorporated herein by reference\).](#)
- 10.13* [Form of Incentive Stock Option Agreement under the Aware, Inc. 2023 Equity and Incentive Plan \(filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 18, 2024 and incorporated herein by reference\).](#)
- 10.14* [Form of Nonstatutory Stock Option Agreement under the Aware, Inc. 2023 Equity and Incentive Plan \(filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 18, 2024 and incorporated herein by reference\).](#)
- 10.15* [Form of Restricted Stock Unit Aware Agreement under the Aware, Inc. 2023 Equity and Incentive Plan \(filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 18, 2024 and incorporated herein by reference\).](#)
- 10.16* [Employment Agreement between Aware, Inc. and David Traverse dated June 1, 2024.](#)
- 10.17* [Letter Agreement dated October 30, 2024 between Aware, Inc. and Robert A. Eckel \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2024 and incorporated herein by reference\).](#)
- 10.18* [Employment Agreement between Aware, Inc. and Ajay Amlani dated February 3, 2025 \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 5, 2025 and incorporated herein by reference\).](#)
- 10.19* [Form of Performance-based Stock Option Agreement under the Aware, Inc. 2023 Equity and Incentive Plan.](#)
- 19.1 [Aware, Inc. Amended and Restated Insider Trading Policy.](#)
- 21.1 [Subsidiaries of Registrant.](#)
- 23.1 [Consent of Independent Registered Public Accounting Firm.](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of Chief Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 97.1 [Aware Inc. Compensation Recovery Policy \(filed as Exhibit 97.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2023 and incorporated herein by reference\).](#)
- 101 The following financial statements from Aware, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2024, formatted in inline XBRL (eXtensible Business Reporting Language), as follows: (i) Consolidated Balance Sheets as of December 31, 2024 and December 31, 2023; (ii) Consolidated Statements of Operations and Comprehensive Loss for the Years Ended December 31, 2024 and

December 31, 2023; (iii) Consolidated Statements of Cash Flows for the Years Ended December 31, 2024 and December 31, 2023; (iv) Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2024 and December 31, 2023 and (v) Notes to Consolidated Financial Statements.

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Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101

*Management contract or compensatory plan.

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.

AWARE, INC.

By: /s/ Ajay K. Amlani
Ajay K. Amlani
Chief Executive Officer & President

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

Date: March 13, 2025

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 indicated on the 14th day of March 2025.

Signature

Title

/s/ Ajay K. Amlani
Ajay K. Amlani

Chief Executive Officer, President & Director
(Principal Executive Officer)

/s/ David K. Traverse
David K. Traverse

Chief Financial Officer
(Principal Financial Officer)

/s/ Brent P. Johnstone
Brent P. Johnstone

Chairman of the Board & Director

/s/ John S. Stafford, III
John S. Stafford, III

Director

/s/ Brian D. Connolly
Brian D. Connolly

Director

/s/ Gary Eeve
Gary Eeve

Director

/s/ Peter Faubert
Peter Faubert

Director

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into as of June 1, 2024 (the "Effective Date"), by and between Aware, Inc., a Massachusetts corporation with its principal offices located at 76 Blanchard Road, Burlington, Massachusetts 01803 (together with its successors and assigns, the "Company"), and David Traverse (the "Executive").

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

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

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

1. Employment.

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

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

2. Compensation and Related Matters.

2.1. Base Salary. During the Term, the Executive's annual base salary will be \$230,000.00. The Executive's base salary shall be reviewed annually by the Board or the Compensation Committee of the Board (the "Compensation Committee"). The base salary in effect at any given time is referred to herein as "Base Salary." The Base Salary shall be payable in a manner that is consistent with the Company's usual payroll practices for executive officers.

2.2. Incentive Compensation. During the Term, the Executive shall be eligible to receive annual cash incentive compensation as determined by the Board or the Compensation Committee from time to time. The Executive's initial target annual incentive compensation shall be up to forty percent (40%) of his Base Salary and tied to Company performance targets as determined by the Compensation Committee. To earn incentive compensation, the Executive must be employed by the Company on the day such incentive compensation is paid, unless

otherwise determined by the Compensation Committee. For the 2024 calendar year, the incentive compensation target shall be prorated effective the date of this agreement.

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

2.4. Equity. Promptly after the Effective Date and subject to approval by the Board or the Compensation Committee, the Company shall issue to the Executive a restricted stock unit award covering 24,000 shares of the Company's common stock with such vesting and other terms as set forth in an award agreement between the Company and the Executive.

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

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

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

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

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

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

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

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

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

3.5. Termination by the Executive. The Executive may terminate his employment hereunder at any time for any reason, including but not limited to Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events: (a) a relocation of the Executive's principal workplace to a location more than 50 miles from Burlington, Massachusetts without the Executive's express written consent; (b) a change in title after a Change in Control without the Executive's express written consent, provided that after a Change in Control a change in title shall not be deemed to be "Good Reason" as long as the Executive does not have a material diminution of duties or authority; (c) a material breach of the Agreement by the Company or (d) a material diminution in the Executive's compensation or benefits without the express written consent of the Executive; provided, that no such event or occurrence shall constitute Good Reason unless (x) written notice thereof is given by the Executive to the Company within ninety (90) days of its occurrence, (y) the Company shall fail to remedy or cure such event or occurrence within thirty (30) days following its receipt of such notice from the Executive (the "Cure Period"), and (z) the Executive shall within sixty

(60) days after the expiration of such 30-day period give written notice to the Company of his election to terminate his employment pursuant to this paragraph by reason of such event or occurrence.

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

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

4. Compensation Upon Termination.

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

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

- (i) subject to clause (iv) below, the Company shall pay the Executive an amount equal to the Executive's Base Salary paid during the twelve (12) months immediately preceding the termination of the Executive's employment with the Company, divided by the number of days employed during the twelve (12) months immediately preceding the termination of the Executive's employment with the Company and multiplied by 365 (the "Severance Amount");
- (ii) notwithstanding anything to the contrary in any applicable option agreement or stock-based award agreement, all time-based stock options and other time-based stock-based awards held by the Executive in which such stock option or other stock-based award would have vested if the Executive had remained employed for an additional twelve (12) months following the Date of Termination shall vest and become exercisable or nonforfeitable as of the Date of Termination;
- (iii) the Company paying the difference between the cost of COBRA continuation coverage, should the Executive elect to receive it, for the Executive and any dependent who received health insurance coverage prior to termination of the Executive's employment with the Company, and any premium contribution amount applicable to the Executive as of such termination, for a period of twelve (12) months following the date of termination of the Executive's employment with the Company ("Continuation Benefits"). Continuation Benefits otherwise receivable by the Executive will be reduced to the extent benefits of the same type are received by or made available to him during the applicable twelve-month period (and any such benefits received by or made available to the Executive shall be reported by him to the Company); and
- (iv) the amounts payable under Section 4.2(i) and (iii) shall be paid out in substantially equal installments in accordance with the Company's payroll practice over twelve (12) months commencing within 60 days after the Date of Termination; provided, however, that if the 60-day period begins in one calendar year and ends in a second calendar year, the Severance Amount shall begin to be paid in the second calendar year by the last day of such 60-day period; provided, further, that the initial payment shall include a catch-up payment to cover amounts retroactive to the day immediately following the Date of Termination.

5. Change of Control Payment.

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

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

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

- (i) the Company shall pay the Executive a lump sum in cash an amount equal to (A) 1.5 times (B) the Executive's Base Salary paid during the twelve (12) months immediately preceding the termination of the Executive's employment with the Company, divided by the number of days employed during the twelve (12) months immediately preceding the termination of the Executive's employment with the Company and multiplied by 365 (the "Change of Control Severance Amount");
- (ii) notwithstanding anything to the contrary in any applicable option agreement or stock-based award agreement, all time-based stock options and other time-based stock-based awards held by the Executive as of the occurrence of such Change of Control shall immediately accelerate and become fully exercisable or nonforfeitable as of the Date of Termination;
- (iii) the Company paying the difference between the cost of COBRA continuation coverage, should the Executive elect to receive it, for the Executive and any dependent who received health insurance coverage prior to termination of the Executive's employment with the Company, and any premium contribution amount applicable to the Executive as of such termination, for a period of eighteen (18) months following the date of termination of the Executive's employment with the Company ("Change of Control Continuation Benefits"). Change of Control Continuation Benefits otherwise receivable by the Executive will be reduced to the extent benefits of the same type are received by or made available to him during the applicable eighteen-month period (and any such benefits

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

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

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

6. Other Provisions.

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

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

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

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

6.4. Post-termination Determination of Cause.

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

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

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

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

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

(a) if to the Company, to:

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

(b) if to the Executive, to:

David Traverse
108 Adams Street
Dunstable, MA 01827

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

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

6.8. Waiver or Amendment.

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

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

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

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

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

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

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

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

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

EXECUTIVE

/s/ David Traverse
David Traverse

AWARE, INC.

By: /s/ Robert Eckel
Title: CEO & President

NONCOMPETE AGREEMENT

This NONCOMPETE AGREEMENT (the "AGREEMENT"), made as of the [] day of [], 202_, is entered into between Aware, Inc., a Massachusetts corporation with offices at 76 Blanchard Road, Burlington, Massachusetts 01803 (the "Company") and David Traverse an individual residing at 108 Adams Street, Dunstable, MA 01827 (the "Employee").

RECITALS:

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

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

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

1. NON-COMPETITION COVENANTS.

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

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

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

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

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

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

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

2. INJUNCTIVE AND OTHER EQUITABLE RELIEF.

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

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

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

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

3. OTHER AGREEMENTS.

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

4. NOT A CONTRACT OF EMPLOYMENT.

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

5. ENTIRE AGREEMENT.

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

6. AMENDMENT.

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

7. GOVERNING LAW.

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

8. SUCCESSORS AND ASSIGNS

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

9. MISCELLANEOUS.

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

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

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

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

AWARE, INC.

By: _____

Name:

Title:

EMPLOYEE

NAME

Exhibit B

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

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

Releasor represents and acknowledges the following:

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

- (b) that Releasor has read this General Release carefully and understands all of its provisions;
- (c) that Releasor understands that Releasor has the right to and is advised to consult an attorney concerning this General Release and in particular the waiver of rights Releasor might have under the laws described herein and that to the extent, if any, that Releasor desired, Releasor availed himself or herself of this right;
- (d) that Releasor has been provided at least twenty-one (21) days to consider whether to sign this General Release and that to the extent Releasor has signed this General Release before the expiration of such twenty-one (21) day period Releasor has done so knowingly and willingly;
- (e) that Releasor enters into this General Release and waives any claims knowingly and willingly; and
- (f) that this General Release shall become effective seven (7) business days after it is signed. Releasor may revoke this General Release within seven (7) business days after it is signed by delivering a written notice of rescission to Chair, Compensation Committee of the Board of Directors at Aware, Inc., 76 Blanchard Road, Burlington Massachusetts 01830. To be effective, the notice of rescission must be hand delivered, or postmarked within the seven (7) business day period and sent by certified mail, return receipt requested, to the referenced address.

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

Signed: _____

Name (print): _____

**NONSTATUTORY STOCK OPTION AGREEMENT
UNDER THE AWARE, INC.
2023 EQUITY AND INCENTIVE PLAN**

Name of Optionee:

No. of Option Shares:

Option Exercise Price per Share: \$

Grant Date:

Expiration Date:

Pursuant to the Aware, Inc. 2023 Equity and Incentive Plan (as amended through the date hereof, the “**Plan**”), Aware, Inc. (the “**Company**”) hereby grants to the Optionee named above an option (the “**Stock Option**”) to purchase on or prior to the Expiration Date specified above all or part of the number of shares of common stock, par value \$0.01 per share, of the Company (the “**Stock**”) specified above at the Option Exercise Price per Share specified above, subject to the terms and conditions set forth herein and in the Plan.

1. Vesting Schedule. No portion of this Stock Option may be exercised until such portion shall have vested. Vesting is contingent on (a) the Optionee remaining in a Service Relationship (as defined in the Plan) on December 31, 202[●] and (b) the achievement of the performance metrics for 2026 described below, as determined by the Compensation Committee of the Board of Directors of the Company. If year-over-year bookings growth for the Company in 202[●] reaches [●]%, 100% of the Option Shares shall vest. If year-over-year bookings growth for the Company in 202[●] is [●]% or lower, none of the Option Shares shall vest and the Stock Option will be forfeited. Partial vesting shall occur for bookings growth of the Company in 2026 between [●]% and [●]%, with [●]% of the Option Shares vesting at [●]% growth, [●]% vesting at [●]% growth, [●]% vesting at [●]% growth, and [●]% vesting at [●]% growth.

To the extent vested and exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) From time to time on or prior to the Expiration Date of this Stock Option, the Optionee may exercise this Stock Option by giving written notice to the Administrator of the Optionee’s election to purchase some or all of the Option Shares exercisable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the Option Exercise Price for the Option Shares may be made by one or more of the following methods: (i) in cash or by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of

shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the Option Exercise Price, provided that in the event the Optionee chooses to pay the Option Exercise Price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; (iv) with the consent of the Administrator, by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the Option Exercise Price (and the Optionee shall make a cash payment equal to the difference between the Fair Market Value of such shares and the Option Exercise Price); or (v) a combination of (i), (ii), (iii) and (iv) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company’s receipt from the Optionee of the full Option Exercise Price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the Option Exercise Price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee’s name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Service Relationship. If the Optionee’s Service Relationship is terminated, the period within which to exercise this Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's Service Relationship terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.

(b) Termination Due to Disability. If the Optionee's Service Relationship terminates by reason of the Optionee's Disability, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such termination, may thereafter be exercised by the Optionee for a period of 12 months from the date of termination due to Disability or until the Expiration Date, if earlier. For purposes hereof, "**Disability**" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than 12 months, and shall be determined in accordance with Section 22(e)(3) of the Code. Any portion of this Stock Option that is not exercisable on the date of termination due to Disability shall terminate immediately and be of no further force or effect.

(c) Termination for Cause. If the Optionee's Service Relationship terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect. For purposes hereof, "**Cause**" shall mean, unless otherwise provided in an employment or service agreement between the Company or a Subsidiary and the Optionee, (i) any material breach by the Optionee of any agreement between the Optionee and the Company or a Subsidiary; (ii) the conviction of, indictment for or plea of nolo contendere by the Optionee to a felony or a crime involving moral turpitude; or (iii) any material misconduct or willful and deliberate non-performance by the Optionee of the Optionee's duties to the Company or a Subsidiary.

(d) Other Termination. If the Optionee's Service Relationship terminates for any reason other than the Optionee's death, the Optionee's Disability, or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's Service Relationship shall be conclusive and binding on the Optionee and the Optionee's representatives or legatees.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 3(b) of the Plan. In the event of any conflict between the terms hereof and those of the Plan, the latter shall prevail. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. Tax Withholding. To the extent that withholding is required under applicable law, the Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause any required tax withholding obligation to be satisfied, in whole or in part, by (i) withholding from shares of Stock to be issued to the Optionee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due; or (ii) causing its transfer agent to sell from the number of shares of Stock to be issued to the Optionee, the number of shares of Stock necessary to satisfy the Federal, state and local taxes required by law to be withheld from the Optionee on account of such taxable event.

7. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee's Service Relationship with the Company or a Subsidiary, and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Optionee's Service Relationship at any time.

8. Integration. This Agreement and the Plan constitute the entire agreement between the parties with respect to this Stock Option and supersede all prior agreements and discussions between the parties concerning this Stock Option.

9. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "**Relevant Companies**") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "**Relevant Information**"). By entering into this Agreement, the Optionee (i) authorizes each Relevant Company to collect, process, register and transfer to each other Relevant Company all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction which a Relevant Company considers appropriate. The Optionee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

10. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file

with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

AWARE, INC.

By: _____
Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Optionee (including through an online acceptance process) is acceptable.

Dated: _____

Optionee's Signature

Optionee's name and address:

Address:

AWARE, INC.

AMENDED AND RESTATED INSIDER TRADING COMPLIANCE POLICY

Adopted October 27, 2020

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ATTACHMENT A - SHORT-SWING PROFIT RULE SECTION 16(B) CHECKLIST

ATTACHMENT B - CERTIFICATION OF COMPLIANCE

AWARE, INC.
AMENDED AND RESTATED INSIDER TRADING COMPLIANCE POLICY

I. SUMMARY

Preventing insider trading is necessary to comply with securities laws and to preserve the reputation and integrity of Aware, Inc. (together with its subsidiaries, the “Company”) as well as that of all persons affiliated with the Company. “Insider trading” occurs when any person purchases or sells a security while in possession of inside information relating to the security. As explained in Section III below, “inside information” is information that is both “material” and “non-public.” Insider trading is a crime. The penalties for violating insider trading laws include imprisonment, disgorgement of profits, civil fines, and criminal fines of up to \$5 million for individuals and \$25 million for corporations. Insider trading is also prohibited by this Amended and Restated Insider Trading Compliance Policy (this “Policy”), and violation of this Policy may result in Company-imposed sanctions, including removal or dismissal for cause.

This Policy applies to all officers, directors and employees of the Company. Individuals subject to this Policy are responsible for ensuring that members of their households also comply with this Policy. This Policy also applies to any entities controlled by individuals subject to the Policy, including any corporations, partnerships or trusts, and transactions by these entities should be treated for the purposes of this Policy and applicable securities laws as if they were for the individual’s own account. This Policy extends to all activities within and outside an individual’s Company duties. Every officer, director and employee must review this Policy. Questions regarding the Policy should be directed to the Company’s Chief Compliance Officer.

II. STATEMENT OF POLICIES PROHIBITING INSIDER TRADING

No officer, director or employee shall purchase or sell any type of security while in possession of material, non-public information relating to the security, whether the issuer of such security is the Company or any other company.

Additionally, no officer, director or employee shall purchase or sell any security of the Company during any blackout period (as defined in Section IV.B below) or other trading suspension initiated by the Company.

These prohibitions do not apply to:

- purchases of the Company’s securities from the Company or sales of the Company’s securities to the Company;
 - exercises of stock options or other equity awards or the surrender of shares to the Company in payment of the exercise price or in satisfaction of any tax withholding obligations in a manner permitted by the applicable equity award agreement, or vesting of equity-based awards, that in each case do not involve a market sale of the Company’s securities (the “cashless exercise” of a Company stock option through a broker does involve a market sale of the Company’s securities, and therefore would not qualify under this exception);
-

bona fide gifts of the Company's securities; or

purchases or sales of the Company's securities made pursuant to any binding contract, specific instruction or written plan entered into while the purchaser or seller, as applicable, was unaware of any material, non-public information and which contract, instruction or plan (i) meets all requirements of the affirmative defense provided by Rule 10b5-1 ("Rule 10b5-1") promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act"), (ii) was pre-cleared in advance pursuant to this Policy and (iii) has not been amended or modified in any respect after such initial pre-clearance without such amendment or modification being pre-cleared in advance pursuant to this Policy. For more information about Rule 10b5-1 trading plans, see Section VI below.

No officer, director or employee shall directly or indirectly communicate (or "tip") material, non-public information to anyone outside the Company (except in accordance with the Company's policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company other than on a need-to-know basis.

III. EXPLANATION OF INSIDER TRADING

"*Insider trading*" refers to the purchase or sale of a security while in possession of "material," "non-public" information relating to the security.

"*Securities*" includes stocks, bonds, notes, debentures, options, warrants and other convertible securities, as well as derivative instruments.

"*Purchase*" and "*sale*" are defined broadly under the federal securities law. "*Purchase*" includes not only the actual purchase of a security, but any contract to purchase or otherwise acquire a security. "*Sale*" includes not only the actual sale of a security, but any contract to sell or otherwise dispose of a security. These definitions extend to a broad range of transactions, including conventional cash-for-stock transactions, conversions, the exercise of stock options, and acquisitions and exercises of warrants or puts, calls or other derivative securities.

It is generally understood that insider trading includes the following:

Trading by insiders while in possession of material, non-public information;

Trading by persons other than insiders while in possession of material, non-public information, if the information either was given in breach of an insider's fiduciary duty to keep it confidential or was misappropriated; and

Communicating or tipping material, non-public information to others, including recommending the purchase or sale of a security while in possession of such information.

A. What Facts are Material?

The materiality of a fact depends upon the circumstances. A fact is considered “material” if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security, or if the fact is likely to have a significant effect on the market price of the security. Material information can be positive or negative and can relate to virtually any aspect of a company’s business or to any type of security, debt or equity.

Examples of material information include (but are not limited to) information about dividends; corporate earnings or earnings forecasts; possible mergers, acquisitions, tender offers or dispositions; major new service offerings; important business developments such as major contracts or cancellation of major contracts, trial results, developments regarding strategic collaborators or the status of regulatory submissions; management or control changes; significant borrowing or financing developments including pending public sales or offerings of debt or equity securities; defaults on borrowings; bankruptcies; and significant litigation or regulatory actions. Moreover, material information does not have to be related to a company’s business. For example, the contents of a forthcoming newspaper column that is expected to affect the market price of a security can be material.

A good general rule of thumb: When in doubt, do not trade.

B. What is Non-public?

Information is “non-public” if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through such media as Dow Jones, Business Wire, Reuters, The Wall Street Journal, Associated Press, or United Press International, a broadcast on widely available radio or television programs, publication in a widely available newspaper, magazine or news web site, a Regulation FD-compliant conference call, or public disclosure documents filed with the SEC that are available on the SEC’s web site.

The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination. In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should allow one full trading day following publication as a reasonable waiting period before such information is deemed to be public. For the purposes of this Policy, a “trading day” is a day on which national stock exchanges are open for trading.

C. Who is an Insider?

“Insiders” include officers, directors and employees of a company and anyone else who has material inside information about a company. Insiders have independent fiduciary duties to their company and its stockholders not to trade on material, non-public information relating to the company’s securities. All officers, directors and employees of the Company should consider themselves insiders with respect to material, non-public information about the Company’s business, activities and securities. Officers, directors and employees may not trade in the Company’s securities while in possession of material, non-public information relating to the Company, nor may they tip such information to anyone outside the Company (except in accordance with the Company’s policies regarding the protection or authorized external

disclosure of Company information) or to anyone within the Company other than on a need-to-know basis.

Individuals subject to this Policy are responsible for ensuring that members of their households also comply with this Policy. This Policy also applies to any entities controlled by individuals subject to the Policy, including any corporations, partnerships or trusts, and transactions by these entities should be treated for the purposes of this Policy and applicable securities laws as if they were for the individual's own account.

D. Trading by Persons Other than Insiders

Insiders may be liable for communicating or tipping material, non-public information to a third party ("tippee"), and insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including tippees who trade on material, non-public information tipped to them or individuals who trade on material, non-public information that has been misappropriated.

Tippees inherit an insider's duties and are liable for trading on material, non-public information illegally tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the information along to others who trade. In other words, a tippee's liability for insider trading is no different from that of an insider. Tippees can obtain material, non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

E. Penalties for Engaging in Insider Trading

Penalties for trading on or tipping material, non-public information can extend significantly beyond any profits made or losses avoided, both for individuals engaging in such unlawful conduct and their employers. The Securities and Exchange Commission ("SEC") and Department of Justice have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the federal securities laws include:

SEC administrative sanctions;

Securities industry self-regulatory organization sanctions;

Civil injunctions;

Damage awards to private plaintiffs;

Disgorgement of all profits;

Civil fines for the violator of up to three times the amount of profit gained or loss avoided;

Civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee or other controlled person) of up to the greater of \$1,425,000 or three times the amount of profit gained or loss avoided by the violator;

Criminal fines for individual violators of up to \$5,000,000 (\$25,000,000 for an entity); and

Jail sentences of up to 20 years.

In addition, insider trading could result in serious sanctions by the Company, including dismissal. Insider trading violations are not limited to violations of the federal securities laws. Other federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the Racketeer Influenced and Corrupt Organizations Act (RICO), also may be violated in connection with insider trading.

F. Size of Transaction and Reason for Transaction Do Not Matter

The size of the transaction or the amount of profit received does not have to be significant to result in prosecution. The SEC has the ability to monitor even the smallest trades, and the SEC performs routine market surveillance. Brokers or dealers are required by law to inform the SEC of any possible violations by people who may have material, non-public information. The SEC aggressively investigates even small insider trading violations.

G. Examples of Insider Trading

Examples of insider trading cases include actions brought against corporate officers, directors, and employees who traded in a company's securities after learning of significant confidential corporate developments; friends, business associates, family members and other tippees of such officers, directors, and employees who traded in the securities after receiving such information; government employees who learned of such information in the course of their employment; and other persons who misappropriated, and took advantage of, confidential information from their employers.

The following are illustrations of insider trading violations. These illustrations are hypothetical and, consequently, not intended to reflect on the actual activities or business of the Company or any other entity.

Trading by Insider

An officer of X Corporation learns that earnings to be reported by X Corporation will increase dramatically. Prior to the public announcement of such earnings, the officer purchases X Corporation's stock. The officer, an insider, is liable for all profits as well as penalties of up to three times the amount of all profits. The officer also is subject to, among other things, criminal prosecution, including up to \$5,000,000 in additional fines and 20 years in jail. Depending upon the circumstances, X Corporation and the individual to whom the officer reports also could be liable as controlling persons.

Trading by Tippee

An officer of X Corporation tells a friend that X Corporation is about to publicly announce that it has concluded an agreement for a major acquisition. This tip causes the friend to purchase X Corporation's stock in advance of the announcement. The officer is jointly liable with his friend for all of the friend's profits, and each is liable for all civil penalties of up to three times the amount of the friend's profits. The officer and his friend are also subject to criminal prosecution and other remedies and sanctions, as described above.

H. Prohibition of Records Falsification and False Statements

Section 13(b)(2) of the 1934 Act requires companies subject to the Act to maintain proper internal books and records and to devise and maintain an adequate system of internal accounting controls. The SEC has supplemented the statutory requirements by adopting rules that prohibit (1) any person from falsifying records or accounts subject to the above requirements and (2) officers or directors from making any materially false, misleading, or incomplete statement to any accountant in connection with any audit or filing with the SEC. These provisions reflect the SEC's intent to discourage officers, directors and other persons with access to the Company's books and records from taking action that might result in the communication of materially misleading financial information to the investing public.

IV. STATEMENT OF PROCEDURES PREVENTING INSIDER TRADING

The following procedures have been established, and will be maintained and enforced, by the Company to prevent insider trading. Every officer, director and employee is required to follow these procedures.

A. Pre-Clearance of All Trades by All Officers, Directors and Certain Employees

To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of the Company's securities, all transactions in the Company's securities (including without limitation, acquisitions and dispositions of Company stock, the exercise of stock options and the sale of Company stock issued upon exercise of stock options) by officers and directors (each, a "Pre-Clearance Person") must be pre-cleared by the Company's Chief Compliance Officer. Pre-clearance does not relieve anyone of his or her responsibility under SEC rules.

A request for pre-clearance may be oral or in writing (including by e-mail), should be made at least two business days in advance of the proposed transaction and should include the identity of the Pre-Clearance Person, the type of proposed transaction (for example, an open market purchase, a privately negotiated sale, an option exercise, etc.), the proposed date of the transaction and the number of shares or other securities to be involved. The Chief Compliance Officer shall have sole discretion to decide whether to clear any contemplated transaction. (The Chief Executive Officer shall have sole discretion to decide whether to clear transactions by the Chief Compliance Officer or persons or entities subject to this policy as a result of their relationship with the Chief Compliance Officer.) All trades that are pre-cleared must be effected within five business days of receipt of the pre-clearance unless a specific exception has been

granted by the Chief Compliance Officer or the Chief Executive Officer, as applicable. A pre-cleared trade (or any portion of a pre-cleared trade) that has not been effected during the five business day period must be pre-cleared again prior to execution. Notwithstanding receipt of pre-clearance, if the Pre-Clearance Person becomes aware of material non-public information or becomes subject to a black-out period before the transaction is effected, the transaction may not be completed.

None of the Company, the Chief Compliance Officer, the Chief Executive Officer or the Company's other employees will have any liability for any delay in reviewing, or refusal of, a request for pre-clearance submitted pursuant to this Section IV.A. Notwithstanding any pre-clearance of a transaction pursuant to this Section IV.A, none of the Company, the Chief Compliance Officer, the Chief Executive Officer or the Company's other employees assumes any liability for the legality or consequences of such transaction to the person engaging in such transaction.

B. Black-Out Periods

Additionally, no officer, director or employee shall purchase or sell any security of the Company during the period beginning on the 14th calendar day before the end of any fiscal quarter of the Company and ending upon completion of the second full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company (any such period, a "blackout period"), except for:

purchases of the Company's securities from the Company or sales of the Company's securities to the Company;

exercises of stock options or other equity awards the surrender of shares to the Company in payment of the exercise price or in satisfaction of any tax withholding obligations in a manner permitted by the applicable equity award agreement, or vesting of equity-based awards that do not involve a market sale of the Company's securities (the "cashless exercise" of a Company stock option through a broker does involve a market sale of the Company's securities, and therefore would not qualify under this exception);

bona fide gifts of the Company's securities; and

purchases or sales of the Company's securities made pursuant to any binding contract, specific instruction or written plan entered into while the purchaser or seller, as applicable, was unaware of any material, non-public information and which contract, instruction or plan (i) meets all requirements of the affirmative defense provided by Rule 10b5-1, (ii) was pre-cleared in advance pursuant to this Policy and (iii) has not been amended or modified in any respect after such initial pre-clearance without such amendment or modification being pre-cleared in advance pursuant to this Policy.

Exceptions to the black-out period policy may be approved only by the Company's Chief Compliance Officer or, in the case of exceptions for directors or the Chief Compliance Officer, the Board of Directors or Audit Committee of the Board of Directors.

From time to time, the Company, through the Board of Directors, the Company's Chief Executive Officer, Chief Financial Officer or Chief Compliance Officer may recommend that officers, directors, employees or others suspend trading in the Company's securities because of developments that have not yet been disclosed to the public. Subject to the exceptions noted above, all those affected should not trade in our securities while the suspension is in effect, and should not disclose to others that we have suspended trading.

C. Post-Termination Transactions

With the exception of the pre-clearance requirement, this Policy continues to apply to transactions in the Company's securities even after termination of service to the Company. If an individual is in possession of material, non-public information when his or her service terminates, that individual may not trade in the Company's securities until that information has become public or is no longer material.

D. Information Relating to the Company

1. Access to Information

Access to material, non-public information about the Company, including the Company's business, earnings or prospects, should be limited to officers, directors and employees of the Company on a need-to-know basis. In addition, such information should not be communicated to anyone outside the Company under any circumstances (except in accordance with the Company's policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company on an other than need-to-know basis.

In communicating material, non-public information to employees of the Company, all officers, directors and employees must take care to emphasize the need for confidential treatment of such information and adherence to the Company's policies with regard to confidential information.

2. Inquiries From Third Parties

Inquiries from third parties, such as industry analysts or members of the media, about the Company should be directed to the Chief Executive Officer or the Chief Financial Officer at [*insert contact information, e-mail for phone*]; or to their attention at:

Aware, Inc.
40 Middlesex Turnpike
Bedford, Massachusetts 01730

E. Limitations on Access to Company Information

The following procedures are designed to maintain confidentiality with respect to the Company's business operations and activities.

All officers, directors and employees should take all steps and precautions necessary to restrict access to, and secure, material, non-public information by, among other things:

Maintaining the confidentiality of Company-related transactions;

Conducting their business and social activities so as not to risk inadvertent disclosure of confidential information. Review of confidential documents in public places should be conducted so as to prevent access by unauthorized persons;

Restricting access to documents and files (including computer files) containing material, non-public information to individuals on a need-to-know basis (including maintaining control over the distribution of documents and drafts of documents);

Promptly removing and cleaning up all confidential documents and other materials from conference rooms following the conclusion of any meetings;

Disposing of all confidential documents and other papers, after there is no longer any business or other legally required need, through shredders when appropriate;

Restricting access to areas likely to contain confidential documents or material, non-public information;

Safeguarding laptop computers, tablets, memory sticks, CDs and other items that contain confidential information; and

Avoiding the discussion of material, non-public information in places where the information could be overheard by others such as in elevators, restrooms, hallways, restaurants, airplanes or taxicabs.

Personnel involved with material, non-public information, to the extent feasible, should conduct their business and activities in areas separate from other Company activities.

V. **ADDITIONAL PROHIBITED TRANSACTIONS**

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. Therefore, officers, directors and employees shall comply with the following policies with respect to certain transactions in the Company securities:

A. Short Sales

Short sales of the Company's securities evidence an expectation on the part of the seller that the securities will decline in value, and therefore signal to the market that the seller has no

confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, short sales of the Company's securities are prohibited by this Policy. In addition, as noted below, Section 16(c) of the 1934 Act absolutely prohibits Section 16 reporting persons from making short sales of the Company's equity securities, *i.e.*, sales of shares that the insider does not own at the time of sale, or sales of shares against which the insider does not deliver the shares within 20 days after the sale.

B. Publicly Traded Options

A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and therefore creates the appearance that an officer, director or employee is trading based on inside information. Transactions in options also may focus an officer's, director's or employee's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities involving the Company's equity securities, on an exchange or in any other organized market, are prohibited by this Policy.

C. Hedging Transactions

Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow an officer, director or employee to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the officer, director or employee to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the officer, director or employee may no longer have the same objectives as the Company's other stockholders. Therefore, such transactions involving the Company's equity securities are prohibited by this Policy.

D. Purchases of the Company's Securities on Margin

Purchasing on margin means borrowing from a brokerage firm, bank or other entity in order to purchase the Company's securities (other than in connection with a cashless exercise of stock options under the Company's equity plans). Margin purchases of the Company's securities are prohibited by this Policy. This prohibition means, among other things, that you cannot hold the Company's securities in a "margin account" (which would allow you to borrow against your holdings to buy securities).

E. Director and Executive Officer Cashless Exercises

The Company will not arrange with brokers to administer cashless exercises on behalf of directors and executive officers of the Company. Directors and executive officers of the Company may use the cashless exercise feature of their equity awards only if (i) the director or officer retains a broker independently of the Company, (ii) the Company's involvement is limited to confirming that it will deliver the stock promptly upon payment of the exercise price and (iii) the director or officer uses a "T+2" cashless exercise arrangement, in which the Company agrees to deliver stock against the payment of the purchase price on the same day the sale of the stock underlying the equity award settles. Under a T+2 cashless exercise, a broker, the issuer, and the issuer's transfer

agent work together to make all transactions settle simultaneously. This approach is to avoid any inference that the Company has “extended credit” in the form of a personal loan to the director or executive officer. Questions about cashless exercises should be directed to the Chief Compliance Officer.

F. Partnership Distributions

Nothing in this Policy is intended to limit the ability of a venture capital partnership or other similar entity with which a director is affiliated to distribute Company securities to its partners, members or other similar persons. It is the responsibility of each affected director and the affiliated entity, in consultation with their own counsel (as appropriate), to determine the timing of any distributions, based on all relevant facts and circumstances and applicable securities laws.

VI. RULE 10b5-1 TRADING PLANS, SECTION 16 AND RULE 144

A. Rule 10b5-1 Trading Plans

1. Overview

Rule 10b5-1 will protect directors, officers and employees from insider trading liability under Rule 10b5 for transactions under a previously established contract, plan or instruction to trade in the Company’s stock (a “Trading Plan”) entered into in good faith and in accordance with the terms of Rule 10b5-1 and all applicable state laws and will be exempt from the trading restrictions set forth in this Policy. The initiation of, and any modification to, any such Trading Plan will be deemed to be a transaction in the Company’s securities, and such initiation or modification is subject to all limitations and prohibitions relating to transactions in the Company’s securities. Each such Trading Plan, and any modification thereof, must be submitted to and pre-approved by the Company’s Chief Compliance Officer, or such other person as the Board of Directors may designate from time to time (the “Authorizing Officer”), who may impose such conditions on the implementation and operation of the Trading Plan as the Authorizing Officer deems necessary or advisable. However, compliance of the Trading Plan to the terms of Rule 10b5-1 and the execution of transactions pursuant to the Trading Plan are the sole responsibility of the person initiating the Trading Plan, not the Company or the Authorizing Officer.

Trading Plans do not exempt individuals from complying with Section 16 short-swing profit rules or liability.

Rule 10b5-1 presents an opportunity for insiders to establish arrangements to sell (or purchase) Company stock without the restrictions of trading windows and black-out periods, even when there is undisclosed material information. A Trading Plan may also help reduce negative publicity that may result when key executives sell the Company’s stock. Rule 10b5-1 only provides an “affirmative defense” in the event there is an insider trading lawsuit. It does not prevent someone from bringing a lawsuit.

A director, officer or employee may enter into a Trading Plan only when he or she is not in possession of material, non-public information, and only during a trading window period

outside of the trading black-out period. Although transactions effected under a Trading Plan will not require further pre-clearance at the time of the trade, any transaction (including the quantity and price) made pursuant to a Trading Plan of a Section 16 reporting person must be reported to the Company promptly on the day of each trade to permit the Company to assist in the preparation and filing of a required Form 4.

The Company reserves the right from time to time to suspend, discontinue or otherwise prohibit any transaction in the Company's securities, even pursuant to a previously approved Trading Plan, if the Authorizing Officer or the Board of Directors, in its discretion, determines that such suspension, discontinuation or other prohibition is in the best interests of the Company. Any Trading Plan submitted for approval hereunder should explicitly acknowledge the Company's right to prohibit transactions in the Company's securities. Failure to discontinue purchases and sales as directed shall constitute a violation of the terms of this Section VI and result in a loss of the exemption set forth herein.

Officers, directors and employees may adopt Trading Plans with brokers that outline a pre-set plan for trading of the Company's stock, including the exercise of options. Trades pursuant to a Trading Plan generally may occur at any time. However, the Company requires a cooling-off period of 30 days between the establishment of a Trading Plan and commencement of any transactions under such plan. An individual may adopt more than one Trading Plan. Please review the following description of how a Trading Plan works.

Pursuant to Rule 10b5-1, an individual's purchase or sale of securities will not be "on the basis of" material, non-public information if:

First, before becoming aware of the information, the individual enters into a binding contract to purchase or sell the securities, provides instructions to another person to sell the securities or adopts a written plan for trading the securities (i.e., the Trading Plan).

Second, the Trading Plan must either:

specify the amount of securities to be purchased or sold, the price at which the securities are to be purchased or sold and the date on which the securities are to be purchased or sold;

include a written formula or computer program for determining the amount, price and date of the transactions;
or

prohibit the individual from exercising any subsequent influence over the purchase or sale of the Company's stock under the Trading Plan in question.

Third, the purchase or sale must occur pursuant to the Trading Plan and the individual must not enter into a corresponding hedging transaction or alter or deviate from the Trading Plan.

2. Revocation of and Amendments to Trading Plans

Revocation of Trading Plans should occur only in unusual circumstances. Effectiveness of any revocation or amendment of a Trading Plan will be subject to the prior review and approval of the Authorizing Officer. Once a Trading Plan has been revoked, the participant should wait at least 30 days before trading outside of a Trading Plan and 180 days before establishing a new Trading Plan. You should note that revocation of a Trading Plan can result in the loss of an affirmative defense for past or future transactions under a Trading Plan. You should consult with your own legal counsel before deciding to revoke a Trading Plan. In any event, you should not assume that compliance with the 180-day bar will protect you from possible adverse legal consequences of a Trading Plan revocation.

A person acting in good faith may amend a prior Trading Plan so long as such amendments are made outside of a quarterly trading black-out period and at a time when the Trading Plan participant does not possess material, non-public information. Plan amendments must not take effect for at least 30 days after the plan amendments are made.

Under certain circumstances, a Trading Plan *must* be revoked. This may include circumstances such as the announcement of a merger or the occurrence of an event that would cause the transaction either to violate the law or to have an adverse effect on the Company. The Authorizing Officer or administrator of the Company's stock plans is authorized to notify the broker in such circumstances, thereby insulating the insider in the event of revocation.

3. Discretionary Plans

Although non-discretionary Trading Plans are preferred, discretionary Trading Plans, where the discretion or control over trading is transferred to a broker, are permitted if pre-approved by the Authorizing Officer.

The Authorizing Officer must pre-approve any Trading Plan, arrangement or trading instructions, etc., involving potential sales or purchases of the Company's stock or option exercises, including but not limited to, blind trusts, discretionary accounts with banks or brokers, or limit orders. The actual transactions effected pursuant to a pre-approved Trading Plan will not be subject to further pre-clearance for transactions in the Company's stock once the Trading Plan or other arrangement has been pre-approved.

4. Reporting (if Required)

If required, an SEC Form 144 will be filled out and filed by the individual/brokerage firm in accordance with the existing rules regarding Form 144 filings. A footnote at the bottom of the Form 144 should indicate that the trades "are in accordance with a Trading Plan that complies with Rule 10b5-1 and expires ____." For Section 16 reporting persons, Form 4s should be filed before the end of the second business day following the date that the broker, dealer or plan administrator informs the individual that a transaction was executed, provided that the date of such notification is not later than the third business day following the trade date. A similar footnote should be placed at the bottom of the Form 4 as outlined above.

5. Options

Exercises of options for cash may be executed at any time. “Cashless exercise” option exercises are subject to trading windows. However, the Company will permit same day sales under Trading Plans. If a broker is required to execute a cashless exercise in accordance with a Trading Plan, then the Company must have exercise forms attached to the Trading Plan that are signed, undated and with the number of shares to be exercised left blank. Once a broker determines that the time is right to exercise the option and dispose of the shares in accordance with the Trading Plan, the broker will notify the Company in writing and the administrator of the Company’s stock plans will fill in the number of shares and the date of exercise on the previously signed exercise form. The insider should not be involved with this part of the exercise.

6. Trades Outside of a Trading Plan

During an open trading window, trades differing from Trading Plan instructions that are already in place are allowed as long as the Trading Plan continues to be followed.

7. Public Announcements

The Company may make a public announcement that Trading Plans are being implemented in accordance with Rule 10b5-1. It will consider in each case whether a public announcement of a particular Trading Plan should be made. It may also make public announcements or respond to inquiries from the media as transactions are made under a Trading Plan.

8. Prohibited Transactions

The transactions prohibited under Section V of this Policy, including among others short sales and hedging transactions, may not be carried out through a Trading Plan or other arrangement or trading instruction involving potential sales or purchases of the Company’s securities.

9. No Section 16 Protection

The use of Trading Plans does not exempt participants from complying with the Section 16 reporting rules or liability for short-swing trades.

10. Limitation on Liability

None of the Company, the Authorizing Officer or the Company’s other employees will have any liability for any delay in reviewing, or refusal of, a Trading Plan submitted pursuant to this Section VI.A. Notwithstanding any review of a Trading Plan pursuant to this Section VI.A, none of the Company, the Authorizing Officer or the Company’s other employees assumes any liability for the legality or consequences relating to such Trading Plan to the person adopting such Trading Plan.

B. Section 16: Insider Reporting Requirements, Short-Swing Profits and Short Sales (Applicable to Officers, Directors and 10% Stockholders)

1. Reporting Obligations Under Section 16(a): SEC Forms 3, 4 and 5

Section 16(a) of the 1934 Act generally requires all officers, directors and 10% stockholders (“insiders”), within 10 days after the insider becomes an officer, director, or 10% stockholder, to file with the SEC an “Initial Statement of Beneficial Ownership of Securities” on SEC Form 3 listing the amount of the Company’s stock, options and warrants which the insider beneficially owns. Following the initial filing on SEC Form 3, changes in beneficial ownership of the Company’s stock, options and warrants must be reported on SEC Form 4, generally within two days after the date on which such change occurs, or in certain cases on Form 5, within 45 days after fiscal year end. The two-day Form 4 deadline begins to run from the trade date rather than the settlement date. A Form 4 must be filed even if, as a result of balancing transactions, there has been no net change in holdings. In certain situations, purchases or sales of Company stock made within six months *prior* to the filing of a Form 3 must be reported on Form 4. Similarly, certain purchases or sales of Company stock made within six months *after* an officer or director ceases to be an insider must be reported on Form 4.

2. Recovery of Profits Under Section 16(b)

For the purpose of preventing the unfair use of information which may have been obtained by an insider, any profits realized by any officer, director or 10% stockholder from any “purchase” and “sale” of Company stock during a six-month period, so called “short-swing profits,” may be recovered by the Company. When such a purchase and sale occurs, good faith is no defense. The insider is liable even if compelled to sell for personal reasons, and even if the sale takes place after full disclosure and without the use of any inside information.

The liability of an insider under Section 16(b) of the 1934 Act is only to the Company itself. The Company, however, cannot waive its right to short swing profits, and any Company stockholder can bring suit in the name of the Company. Reports of ownership filed with the SEC on Form 3, Form 4 or Form 5 pursuant to Section 16(a) (discussed above) are readily available to the public, and certain attorneys carefully monitor these reports for potential Section 16(b) violations. In addition, liabilities under Section 16(b) may require separate disclosure in the Company’s annual report to the SEC on Form 10-K or its proxy statement for its annual meeting of stockholders. No suit may be brought more than two years after the date the profit was realized. However, if the insider fails to file a report of the transaction under Section 16(a), as required, the two-year limitation period does not begin to run until after the transactions giving rise to the profit have been disclosed. Failure to report transactions and late filing of reports require separate disclosure in the Company’s proxy statement.

Officers and directors should consult the attached “Short-Swing Profit Rule Section 16(b) Checklist” attached hereto as “Attachment A” in addition to consulting the Chief Compliance Officer prior to engaging in any transactions involving the Company’s securities, including without limitation, the Company’s stock, options or warrants.

3. Short Sales Prohibited Under Section 16(c)

Section 16(c) of the 1934 Act prohibits insiders absolutely from making short sales of the Company's equity securities. Short sales include sales of stock which the insider does not own at the time of sale, or sales of stock against which the insider does not deliver the shares within 20 days after the sale. Under certain circumstances, the purchase or sale of put or call options, or the writing of such options, can result in a violation of Section 16(c). Insiders violating Section 16(c) face criminal liability.

The Chief Compliance Officer should be consulted if you have any questions regarding reporting obligations, short-swing profits or short sales under Section 16.

C. Rule 144 (Applicable to Officers, Directors and 10% Stockholders)

Rule 144 provides a safe harbor exemption to the registration requirements of the Securities Act of 1933, as amended, for certain resales of "restricted securities" and "control securities." "Restricted securities" are securities acquired from an issuer, or an affiliate of an issuer, in a transaction or chain of transactions not involving a public offering. "Control securities" are *any* securities owned by directors, executive officers or other "affiliates" of the issuer, including stock purchased in the open market and stock received upon exercise of stock options. Sales of Company securities by affiliates (generally, directors, officers and 10% stockholders of the Company) must comply with the requirements of Rule 144, which are summarized below. Because the Company was a "shell company" prior to the closing of the business combination, Rule 144 will be unavailable for approximately one year following the closing of the business combination. Please contact the Company's Chief Compliance Officer for additional information.

Current Public Information. The Company must have filed all SEC-required reports during the last 12 months.

Volume Limitations. Total sales of Company common stock by a covered individual for any three-month period may not exceed the *greater* of: (i) 1% of the total number of outstanding shares of Company common stock, as reflected in the most recent report or statement published by the Company, or (ii) the average weekly reported volume of such shares traded during the four calendar weeks preceding the filing of the requisite Form 144.

Method of Sale. The shares must be sold either in a "broker's transaction" or in a transaction directly with a "market maker." A "broker's transaction" is one in which the broker does no more than execute the sale order and receive the usual and customary commission. Neither the broker nor the selling person can solicit or arrange for the sale order. In addition, the selling person or Board member must not pay any fee or commission other than to the broker. A "market maker" includes a specialist permitted to act as a dealer, a dealer acting in the position of a block positioner, and a dealer who holds himself out as being willing to buy and sell Company common stock for his own account on a regular and continuous basis.

Notice of Proposed Sale. A notice of the sale (a Form 144) must be filed with the SEC at the time of the sale. Brokers generally have internal procedures for executing sales under Rule 144 and will assist you in completing the Form 144 and in complying with the other requirements of Rule 144.

If you are subject to Rule 144, you must instruct your broker who handles trades in Company securities to follow the brokerage firm's Rule 144 compliance procedures in connection with all trades.

VII. EXECUTION AND RETURN OF CERTIFICATION OF COMPLIANCE

After reading this Policy, all officers, directors and employees should execute and return to the Chief Compliance Officer the Certification of Compliance form attached hereto as "Attachment B."

ATTACHMENT A

SHORT-SWING PROFIT RULE SECTION 16(B) CHECKLIST

Note: ANY combination of PURCHASE AND SALE or SALE AND PURCHASE within six months of each other by an officer, director or 10% stockholder (or any family member living in the same household or certain affiliated entities) results in a violation of Section 16(b), and the “profit” must be recovered by Aware, Inc. (the “Company”). It makes no difference how long the shares being sold have been held or, for officers and directors, that you were an insider for only one of the two matching transactions. The highest priced sale will be matched with the lowest priced purchase within the six-month period.

Sales

If a sale is to be made by an officer, director or 10% stockholder (or any family member living in the same household or certain affiliated entities):

1. Have there been any purchases by the insider (or family members living in the same household or certain affiliated entities) within the past six months?
2. Have there been any option grants or exercises not exempt under Rule 16b-3 within the past six months?
3. Are any purchases (or non-exempt option exercises) anticipated or required within the next six months?
4. Has a Form 4 been prepared?

Note: If a sale is to be made by an affiliate of the Company, has a Form 144 been prepared and has the broker been reminded to sell pursuant to Rule 144?

Purchases And Option Exercises

If a purchase or option exercise for Company stock is to be made:

1. Have there been any sales by the insider (or family members living in the same household or certain affiliated entities) within the past six months?
2. Are any sales anticipated or required within the next six months (such as tax-related or year-end transactions)?
3. Has a Form 4 been prepared?

Before proceeding with a purchase or sale, consider whether you are aware of material inside information which could affect the price of the Company stock. All transactions in the Company’s securities by officers and directors must be pre-cleared by contacting the Company’s Chief Compliance Officer.

ATTACHMENT B

CERTIFICATION OF COMPLIANCE

RETURN BY []

TO: [_____], Chief Compliance Officer

FROM:

RE: INSIDER TRADING COMPLIANCE POLICY OF AWARE, INC.

I have received, reviewed and understand the above-referenced Insider Trading Compliance Policy and undertake, as a condition to my present and continued employment (or, if I am not an employee, affiliation with) Aware, Inc., to comply fully with the policies and procedures contained therein.

I hereby certify, to the best of my knowledge, that during the calendar year ending December 31, 20[___], I have complied fully with all policies and procedures set forth in the above-referenced Insider Trading Compliance Policy.

SIGNATURE DATE

TITLE

SUBSIDIARIES OF REGISTRANT

Name of Organization

Aware Security Corporation
Fort3ss, Inc.

Jurisdiction

Massachusetts
Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (333-62020, 333-106569, 333-261273, and 333-276900) on Form S-8 of Aware, Inc. of our report dated March 13, 2025, relating to the consolidated financial statements, of Aware, Inc. and its subsidiaries, appearing in this Annual Report on Form 10-K of Aware, Inc. for the year ended December 31, 2024.

/s/ RSM US LLP
Boston, Massachusetts
March 13, 2025

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Ajay K. Amlani, Chief Executive Officer of Aware, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Aware, Inc.;
2. Based on my knowledge, annual 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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2025

/s/ Ajay K. Amlani

Ajay K. Amlani

Chief Executive Officer & President

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

1. I have reviewed this annual report on Form 10-K of Aware, 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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2025

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

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

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

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

/s/ Ajay K. Amlani
Ajay K. Amlani
Chief Executive Officer & President

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

Date: March 13, 2025

Date: March 13, 2025

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